

**NOVGOROD REGIONAL
INVESTMENT INITIATIVE**

**LAND AND REAL ESTATE
REFORM SECTOR**

FINAL REPORT

Prepared for



Housing Sector Reform Project II
Project 110-0008
U.S. Agency for International Development,
USAID/Moscow
Contract No. EPE-0008-Q-00-5120-00, Task
Order No. 4

Prepared by

Martin Richard Miller
Chief-of-Party

Peter Hart
Steven Butler
NERA
PADCO



THE URBAN INSTITUTE

2100 M Street, NW
Washington, DC 20037
(202) 833-7200
www.urban.org

September 1998
UI Project 06612-004

FINAL REPORT
Novgorod Regional Investment Initiative
Land Reform Sector
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EXECUTIVE SUMMARY

In 1997, the Novgorod Regional Investment Initiative was organized to more effectively accelerate economic transition at the local level, foster U.S.-Russian economic and community-based linkages, and spur increased trade and investment. Five broad themes formed the pillars of the RII in Novgorod; four of these (accelerate development of a land market, improve institutional capabilities in real estate, market Novgorod opportunities for investment, and foster U.S. trade) were supported through activities of the “Land and Real Estate Reform” sector.

Development of land as an efficient means of production is a key component to long-term economic reform and growth. Transferring control, preferably in ownership, of land from public to private possession is an obvious step to make land more productive and useful. Several activities were undertaken in 1997-98, including: (1) helping find ways to convey land from local government into private ownership in which title to and use of land is transparent, stable, and assured; (2) educating officials in a basic understanding of simplified property tax system principles which will ultimately replace the present three-part structure; (3) helping organize institutions which can ethically administer a system of property title registration; and (4) assisting local governments in “packaging” land so that it can better be disposed of in favor of private investment toward economic development.

The land reform project was organized after taking into account the stated preferences of local officials. These interests resulted in a clearcut division of activity between the oblast and the city.

Work in Novgorod Oblast

In the Oblast, three task areas were undertaken by the Urban Institute, NERA and PADCO.

- improve the tax structure for investment;
- establish a legal and regulatory framework for rights and use of land
- help stimulate a real estate market to which property title is reliable and rights of use are transparent and assured

Work on a “Market Value Based Real Property Tax Reform” project was structured toward successful local administration of an equitable, yet revenue-enhancing, databank for property taxation. U.S. and Russian experts trained local officials in records design and management so that discrete properties could be identified and individually assessed for future revenue administration. In addition, a “Roll Out

Manual” was prepared to provide guidance to other Russian cities which will be implementing their own revenue administration programs.

“Strengthening the legal framework” focussed on the existing agenda of the local administrations and improving their legislative products, rather than constructing an elaborate blueprint for comprehensive new laws. In one important instance, the legislative and regulatory agenda grew out of the immediate needs which arose through other land reform objectives, specifically clarifying the nature and extent of “municipal land ownership” as a prerequisite to efforts at undertaking “pro-active land privatization.” Program support toward “ownership” clarification involved assistance in establishing official contacts, requirements for documentation, technical support in discussions with federal authorities, and detailed recommendations for oblast legislative actions. Of potentially broader legal framework significance is the work begun by oblast officials toward re-codification of the land laws. A group which was impaneled during the land reform project is completing its final draft of a re-structured land code.

“Stimulating land markets” embraced two activities: first, helping to organize local institutions and procedures for registering property ownership titles; and second, deepening local capabilities to transfer land into the possession of the private sector, especially potential investors. Aid in establishing simple land title registration systems involved: developing sample procedures; presenting these at a 2-day seminar; assisting the Justice Institution and local agencies to implement these techniques in “pilot” locations; preparing “working rules” to guide office routines; developing terms of reference for a “navigational database” to facilitate management of the files; and conducting a second seminar to discuss the lessons learned from the pilot *raions* in implementing the sample procedures. The enthusiasm and dedication demonstrated toward the rapid and systematic implementation of property registration were very encouraging.

The second “market stimulation” component was intended to demonstrate to selected smaller cities how they might inventory their land resources potentially available for sale or lease and prepare the information required by investors who might have an interest in these properties. Specifically the work included: developing a standardized inventory of urban land and real estate properties suitable for privatization through either long term lease or sale of ownership rights; working with the designated officials to prepare a central listing of these properties; preparing a “highest and best use” analysis of at least 10 of these properties; assisting in the development of information packages and procedures to organize an auction or sealed tender event; instructing the governments in ways to publicize and market the subject properties; and producing a detailed procedures manual to assist Russian city officials continue this process elsewhere. Key personnel in six different oblast municipalities now have

a better understanding of the scope and accuracy of information that investors look for. Implementation of “pro-active land privatization” is being pursued through identification of “municipal land ownership” in all six places. Both Velikii Novgorod and oblast communities have announced their intention to cooperate in organizing competitive marketing events as a means to privatize land in the future. Packaging land parcels into “special investment areas” is under active consideration by three raion-municipalities (Borovichi, Chudovo, and Valdai). Finally, local administrators are overcoming utility monopoly resistance to making charges for development costs more transparent.

Until this year, Novgorod Oblast engaged in little activity toward instituting land use and development controls. However, the progressiveness demonstrated by Novgorod City in adopting a “zoning ordinance” has now found a receptive audience in the oblast. With the encouragement of the city administration, Novgorod Oblast is undertaking a study of land use characteristics around the perimeter of Novgorod City. The objective of this effort is to establish a land use regulation regime within strategic neighborhoods surrounding the city. Land reform experts helped to define the scope and nature of a land use regulatory regime in the unincorporated environs outside Novgorod. This effort represents the first known “zoning” program outside Russian city boundaries.

Work in Velikii Novgorod

In contrast with oblast activities, the Land and Real Estate Reform sector’s activities within Velikii Novgorod were more narrow, reflecting the progress already made by years of assistance and advisory services. Within the city, the effort sought to:

- Continue to improve the legal and regulatory framework for rights and use of land;
- Undertake innovative urban development strategies designed to attract private investment toward job-creating employment opportunities and improve the condition of urban infrastructure;.

While preparing for its prospective land auction to be held in June, 1998, Velikii Novgorod remained convinced that did not possess sufficient legal authorization to proceed with directly marketing the “right to own” vacant land. As a result, the rights which it offered at the land auction—to construct buildings as a condition of land ownership eligibility—were only “partial” rights. Vital advisory assistance in the direction of “municipal ownership” clarification included establishing necessary official contacts, preparation of documentary support, technical support in discussions with federal authorities, and recommendations for oblast legislative actions. As a result, the city’s future property offerings will be based on the “right to own” vacant land. In addition, a comprehensive package of regulations on delineation and

allocation of land to multifamily buildings has been prepared for the city of Novgorod and awaits consideration by the *duma*.

In the area of market stimulation, the city administration is actively utilizing the tools and techniques developed as part of its June land auction preparations to sustain its continuing program of economic development. Improved, concise “Information Packets,” (including the “Infrastructure Plan”) and “Technical Passports,” are now used to assist in marketing and direct negotiations with private investors. In addition, the administration has identified a “special district for economic development,” and an “infrastructure plan” of utility systems within this area. These improved tools will also be utilized to support future auction preparations.

This report also includes a summary of “Performance Indicators” which illustrates successes and shortfalls of the program

FINAL REPORT
NOVGOROD REGIONAL INVESTMENT INITIATIVE
LAND AND REAL ESTATE REFORM SECTOR IN NOVGOROD
I. Introduction

The U. S. aid community harnessed its technical advisory efforts into the Regional Investment Initiative (RII) in 1997 as a successor the “Partnership for Freedom.” Intended to reflect the transition the the U.S.-Russia relationship from advice to one of partnership, the RII brings together the concept of “assistance” with a parallel effort to promote U.S. business opportunities, especially emphasizing investment to stimulate Russia’s economic growth. The RII arrangement coordinates external advisory efforts to both governmental and non-governmental structures of the Novgorod region (the “oblast”) and Novgorod Velikii (the city).

Novgorod’s progressive political and economic environment justified its designation as the site for Russia’s initial RII undertaking. The city and the oblast were the first Russian jurisdictions to encourage the development of land and real estate markets. Work on cadastral systems to locate and identify forest resources, minerals, water, and ecological monitoring were inaugurated here before any other part of the Russian Federation. Active privatization programs have accomplished non-state ownership in: 100% of the wholesale trade and chemical industries; 99% of forest products; 98% of light industry; 76% of industrial construction; and 45% of transport. Business privatizations in turn have been translated into land ownership with the encouragement of positive official policies. The city of Novgorod Velikii is installing the first locally-effective property titling reform system in the country; it shares with Tver the status of being the first Russian municipal proving ground for real estate property tax administration.

Within the newly-inaugurated RII, the Land and Real Estate Reform project built on the work of preceding USAID programs which worked with municipal and oblast administrations to reform their local economic and political structures in the administration of land. The dual goals of land reform in this region are:

- to foster economic development in Novgorod, on as short term a term as possible, and
- to spread the advances in reform attained by the City of Novgorod to the lesser developed smaller cities and rural areas of the surrounding oblast.

A. Land and Real Estate Reform within the Regional Investment Initiative

The specific objectives of the Novgorod RII are to demonstrate how to effectively accelerate economic transition at the local level, foster U.S.-Russian economic and community-based linkages, and spur increased trade and investment. Five broad themes of activity form the pillars of the RII in Novgorod. The relevance of the Land and Real Estate Reform Program ("land reform") are listed in the right hand column in the table below.

RII Objective	How Land Reform supported the RII (Specific program activities <i>in italics</i>)
Accelerate the development of the land market as a key asset for mobilizing capital	Helped develop a transparent private land market through "pro-active land privatization" and demonstrate principles of value-based local property tax systems <i>Component A. Tasks 1, 2, and 3; Component B. Task 1</i>
Mobilizing capital for small enterprises	No direct support
Improve institutional capabilities to educate and train human resources in business, finance, law, and real estate	Provided materials to local universities and professionals to further their skills in real estate practices <i>Priority Sub-task ("University Partnership")</i>
Package and market Novgorod for investment, trade, tourism, and leveraging project finance	Provided land and real estate marketing advice to Novgorod Velikii and secondary cities in the surrounding oblast <i>Component A, Task 3, and Priority Sub-tasks</i>
Foster U.S. trade and investment opportunities and make information on Novgorod available and accessible	Provided marketing advice to Novgorod Velikii and secondary cities in the surrounding oblast—especially targeting U.S. commercial resources <i>Component A, Task 3, and Priority Sub-tasks</i>

Development of land as an efficient means of production is a key component to long-term economic reform and growth. Transferring control, preferably in ownership, of land from public to private possession is an obvious step to make land more productive and useful. Several strategies were undertaken in 1997-98, including: (1) help find ways to convey land from local government into private ownership in which title to and use of land is transparent, stable, and assured; (2) educate officials in a basic understanding of simplified property tax system principles which will ultimately replace the present three-part structure; (3) help organize institutions which can ethically administer a system of property title registration; and (4) assist local governments in "packaging" land so that it can better be disposed of in favor of private investment toward economic development.

The program was designed to build on the groundwork laid in the last four years by USAID in the City of Novgorod. Specifically, the Land and Real Estate Sector program integrated then-current USAID-sponsored programs, (such as "Deepening Urban Real

Estate Reform,” Market Value-Based Real Property Taxation, Land Use and Zoning Regulation Practices, Commercial Real Estate Lending, and Real Estate Information and Registration Systems, into several “Tasks” (described in more detail in the report to follow):

The land reform project was organized after taking into account the stated preferences of local officials in each jurisdiction. These officials urged a clearcut division in work effort between the oblast and the city which would reflect the different level of progress and local capabilities. Accordingly, in Novgorod Oblast, all three of these task areas were undertaken by the Urban Institute, PADCO, and NERA.

- improve the tax structure for investment;
- establish a legal and regulatory framework for rights and use of land
- help develop a real estate market to which property title is reliable and rights of use are transparent and assured

In contrast, the program’s activities within Novgorod Velikii were more narrow, to reflect the progress already made by years of assistance and advisory services. Within the city, the Work Plan was designed to:

- Continue to improve the legal and regulatory framework for rights and use of land;
- Undertake innovative urban development strategies designed to attract private investment toward job-creating employment opportunities and improve the condition of urban infrastructure; and;
- Establish a partnership between Russian and U.S. educational institutions focussing on development of a real estate curriculum at a university in order to promote its role in local/oblast governmental policy-making and land market investment

Strategies employed have been assessed in terms of their ability to: be quick-starting, show visible results within twelve months of their initiation, have the support of the local administration, be responsive to the needs of the US business community, enhance US-Russian partnerships and linkages, and promote community involvement in economic growth.

B. Project Organization

The Urban Institute, as the prime contractor, recruited a Chief-of-Party who combined real estate development experience with previous service in states of The Former Soviet Union. To carry out specialized tasks, the team was enriched by resources and skilled persons from National Economic Research Associates and PADCO, each of which had extensive experience on land and real estate issues in Russia generally and Novgorod Velikii in particular. Additionally, Steve Butler, a lawyer with extraordinary experience on real estate issues in Russia was retained to extend his previous contribution in the field of land legislation.. Each organization and Mr. Butler were allocated specific responsibilities, which are summarized in Table I-1.

Table I-1
Distribution of Responsibilities for the Land
and Real Estate Component of RII in Novgorod

task	lead responsibility
Project direction, coordination with the Regional Investment Initiative, and responsibility for "priority sub-tasks" to promote economic development in the City of Novgorod and oblast municipalities	Urban Institute Chief-Of-Party (COP) Martin Richard (Dick) Miller
Improve the tax structure for investment: Introduce principles of property taxation in the oblast)	National Economic Research Associates Joe Eckert
Strengthen the legal and regulatory framework in the oblast and the city of Novgorod	Urban Institute Steve Butler
Promote land reform and stimulate land markets in the designated oblast municipalities	PADCO Steve Dixon;
Universities partnership coordination (Not implemented due to budgetary issues)	Urban Institute Washington

C. Recommendations on Program Continuation

Despite significant exceptions (notably the failure of the city's June land auction), many of the objectives of the Land & Real Estate Reform program were met during the life of the task order. At a "close-out conference" conducted on 15 September in the City of Novgorod, the local officials confirmed that full-scale contract extensions or renewals are not justified; indeed, these local officials are beginning to show signs of "advisory weariness." However, some important work in support of the RII is still in progress and, depending on availability of resources, justifies continued monitoring and/or small-scale work activities, as illustrated in the following table:

Table I-2
Program Continuation:
Regional Investment Initiative and Changes in 1999

task	recommended responsibility
Project coordination	Until the end of its term in December, the office of Regional Investment Initiative should continue to perform as liaison between the localities and USAID. Each "client" local government has been provided with the names and contact numbers of RII personnel. These personnel have been briefed on the status of continuing land reform activities, and have been provided with the names and numbers of Moscow-based USAID personnel in each of the following three "task areas."
Introduce principles of property taxation in oblast cities	Name of Contact:: Dep. Heads of Administration make specific request to USAID Contact
Strengthen the legal and regulatory framework in the oblast and the city of Novgorod Continue to provide advice and technical support for land privatization, focussing on assistance toward legislation to clarify "ownership of municipal land"	Name of Contact:: Dep. Heads of Administration/Land Committee make specific request to USAID Contact
Promote land reform and stimulate land markets in the designated oblast municipalities Provide advice and assistance toward "packaging" efforts and "pro-active land privatization" by cities	Name of Contact:: Dep. Heads of Administration, Land Committee Chairman, or Head of Juridical Registration Chamber made specific request to USAID Contact:

Following the demise of the RII office, USAID will lack an "on-site" presence to observe the long term progress (or lack of it) in the city and the oblast. If resources are available, it is recommended that a "task order hotline" arrangement be organized between the individual local offices, USAID, and experts which may be available through concurrent contracts. This "hotline" should enable quick, directed responses to specific, small-scale targeted activities which would justify short term expertise. Examples of specific monitoring and response activities include:

- develop a module for a possible property registration procedures manual that addresses "financial sustainability" for juridical agency offices
- monitor local mapping and textual documentation of land parcels or areas for registration of "municipal ownership"
- prepare "roll-out manual" to instruct other Russian city officials on procedures for identifying and substantiating "municipal ownership"
- monitor local progress in "packaging" municipal land into "special investment areas" in smaller cities and "special districts for economic development" within Novgorod Velikii
- prepare "roll-out manual" to instruct other Russian city officials on techniques for creating special investment area packages
- monitor local implementation of condominium land privatization programs
- review local preparations for future land sales events

MAP OF NOVGOROD OBLAST, SHOWING LOCATION OF NOVGOROD VELIKII

II. Novgorod Oblast

A. Task 1: Improve the Tax Structure for Investment

Introduction: Objectives of the Project

In October of 1995 a team of property tax experts began working on the development of a new system of property taxation in the Russian Federation. The cities selected for the pilot project included Tver and Novgorod. In these cities the following progress toward establishing a working Property Tax Administration Management System (PTAMS) has been realized to date: Federal legislation has been developed and adopted to allow the pilot cities to experiment with the use of the market value based property tax system; local legislation is being developed for the market value based property tax system; legal and fiscal cadastres have been developed for these cities for use in a market value based property tax system as well as tax impact analysis has been performed.

Property identified within the fiscal cadastre was valued using an innovative iterative mass appraisal approach that gradually developed the valuation model over a two year period as new market evidence became available. The valuation model confirms that real estate markets are evolving in Tver and Novgorod and that this development conforms to rational expectations about how markets should operate based on international experience.

Work in Novgorod Oblast on the "Market Value Based Real Property Tax Reform Project" was designed to extend this experience to smaller cities of the region in order for their administrations to prepare to assume the successful implementation of an equitable revenue enhancing program of property taxation. The scheme was based on training local officials in records design and administration so that discrete properties could be identified and individually assessed for revenue administration.

ACTIVITIES AND EVENTS

1. Needs Assessment

A "needs assessment" meeting was conducted on October 21, 1997. Its purpose was to gauge the interest of individual jurisdictions in undertaking local real property tax reform. It was attended by eleven individuals. The outcome of this meeting was to acquaint the project team with the responsible raion officials and obtain expressions of interest. Five jurisdictions (Borovich, Krestchi, Malaya Vishera, Staraya Russa and Valdai) extended invitations for site visits. These site visits took place on October 22-27. As a result of these visits, further contact was justified with all localities except Krestchi. Following the team's site visit, the latter declined further involvement.

2. Introductory Workshop

An introductory workshop, conducted on December 3, 1997, was attended by 21 individuals representing the raion administrations of Borovich, Malaya Vishera, Staraya Russa and Valdai. Each of the attending localities had been visited during the team's needs assessment phase in October.

During the introductory workshop, presentations were made on:

- Principles of Property Taxation
- Legal and Administrative Framework
- Preparing for a Property Tax System: Project Components
- Fiscal Cadastre Planning and Budgeting

The invited participants from the raions expressed great interest in participating in the project. The team members were invited to visit four raions to discuss and eventually sign the “Project Implementation Agreement.”

3. Project Implementation Agreement

A “Project Implementation Agreement” was prepared and discussed during the site visits in December 1997 with Borovichi, Valdai, Malaia Vishera and Staraya Russa raions. As a result of these visits, project implementation agreements were signed with Borovichi and Staraya Russa raions. The purpose of this agreement was to outline the responsibilities of NERA, CREA and the raions and facilitate the undertaking property tax reform.

4. Property Tax Seminars

- a. “Mini-seminars” were conducted on March 26 and 27, 1998, in Borovichi and Staraya Russa on fiscal cadastre construction. The purpose of these seminars was to provide “hands-on” experience to some of the technical staff from the raions working on the establishment of a database for property taxation.
- b. A seminar entitled “Development of a Market Value Based Property Tax System” was conducted on April 23 and 24, 1998, in Novgorod and attended by 17 individuals representing the raion administrations of Borovichi, Malaia Vishera, Staraya Russa and Valdai. In addition to providing a demonstration of PTIMS for small cities, this seminar addressed the following Fiscal cadastre construction issues:
 - Market research,
 - Property characteristics,
 - Tax base specification and estimation,
 - Property characteristics finalization
 - Tax base specification and estimation
 - Data entry via forms vs. automated conversion
 - Quality control
 - Public relations
 - Rights registration, including the interrelationships among the various juridical and fiscal cadastres
 - Tax base estimation results to date
 - Market valuation modeling
 - Requirements for local ordinances
 - Non-fiscal benefits of property tax reform
 - Taxpayer education and public relations

ISSUES ENCOUNTERED

1. The jurisdictions were unable to complete their reform efforts during the course of the project. In the absence of federal authorizing legislation to permit them to implement the tax, of course, there was no urgency for them to do so. Furthermore, they were aware that the pilot cities had not completed their own reforms and had begun to suspect that the tax levies expected of them were too high for their tax bases to support. Thus although they were interested in proceeding due to stories they had heard from pilot cities on the value of the improved records and database management system that accompanied the development of the fiscal cadastre and the installation of PTIMS, they were in no rush to beat the pilot cities. Given the magnitude of the effort required, it was unrealistic to expect them to complete their reforms within the timeframe of the project.

2. In both raions (indeed, in all four which participated, including those without the "Agreement"), there was interest only in undertaking the tax reform effort in the urbanized area, not in the raion as a whole. This stemmed in part from a lack of readily available information on potentially taxable properties outside the city limits. It also stemmed from reservations about the lack of a legal basis to do so and the political risks of being seen to be adventurous in this regard. The result for the experiment, however, was that project personnel were unable to learn anything new about the problems and pitfalls of applying the tax reform effort to new property types, such as agricultural and forested land, as we had originally envisioned. Attempted to carve the city out of the raion in order to apply the tax there but not to the balance of the raion also introduces legal difficulties. The authorizing legislation calls for the automatic suspension of the old taxes in any jurisdiction implementing the new tax. Since the definition of "local self-governments" (which are the bodies authorized to implement it) seems to encompass the raion rather than the city, application of the new tax in only the "city of the raion" would appear to be problematic.

3. The level of market activity in the raions appeared to be much less than was found in the first pilot cities of Novgorod and Tver. In the oblast raions we relied on personnel from the local administrations rather than project personnel to research this issue so it is impossible to say for sure whether the issue is one of competence or markets but it appears that the process of developing market value estimates for the properties constituting the tax base will be more challenging. It also seems likely that some jurisdictions may find it difficult or impossible to sustain their current (planned) tax yields from the new tax base. Preliminary tax base estimates suggested that this may be a problem in the raions participating in the project. More generally, it is easy to construct an artificial example involving taxpayers with much personal property but very little real property (warehouses and service, for example) where this would inevitably be the case. Thus the prerequisites for the implementation of the tax reform should be reconsidered.

RESULTS

1. Fiscal cadastre construction has begun in Borovichi. Both Borovichi and Staraya Russa expressed reservations about their ability to implement and administer an Oracle based PTIMS-ST system, even one scaled down to Personal Oracle. The issue is less one of initial expense than of procuring and retaining the expertise required to maintain and support it. Accordingly, both have begun their fiscal cadastre construction efforts using alternative software not supported by the project. Part of the resistance may be because the two communities were provided FoxPro by another

project and had begun construction of a real estate database designed to support titling. The issue of "learning curve" is probably the real issue causing the resistance. The PC version of PTIMS is expected to be complete when installed, it is not expected that specialized personnel will be needed to run it. New small communities that have nothing invested in software should have no resistance to the Oracle based system.

2. Interest in property tax reform at the raion level remains high as evidenced by the continued attentive participation of essentially all the relevant local officials at a series of seminars spanning most of the duration of the project. All of these are involved in the production and distribution of a variety of explanatory materials. More importantly, each of the project raions (Borovich and Staraya Russa) have benefited from several on-site consultations with the project staff.

3. During the periods between each of the envisioned seminars, representatives from the cities returned home to begin implementing the lessons they had learned and returned for the next seminar when they had made sufficient progress to enter a new phase of operation. There was also an opportunity during each interim for cities to consult remotely with project experts using telecommunications and computer based support mechanisms.

4. A "Roll Out Manual" was prepared to provide guidance to raions interested in implementing the market value based property tax reform, taking advantage of the experiences gained from the pilot cities, Novgorod and Tver. For the purposes of Novgorod Oblast's "Market Value Based Property Tax Reform Project," the manual was designed to address the needs of smaller cities. The methodological lessons of the pilot project in Novgorod and Tver were better codified and the software required to support the implementation of the new property tax was scaled down. The Roll Out Manual also provides guidance to raions and cities interested in implementing the market value based property tax reform. The manual will support the strategy envisioned for further property tax reform in the Russian Federation. This strategy calls for a series of phased, focused seminars in other parts of Russia.

MAP two OF NOVGOROD REGION, SHOWING LOCATIONS OF BOROVICHI, MALAIA
VISHERA, STARAYA RUSSA, AND VALDAI

B. Task 2. Establish the Legal and Regulatory Framework

OBJECTIVES

In Novgorod Velikii a significant effort at legal and regulatory reform had been in progress for several years. While generally supportive of the city initiatives, the oblast undertook less activity, reflecting the existence of many diverse small towns and rural districts. A different approach was therefore considered in the oblast, involving enactment of equivalent legislation where the city laws are not appropriate to the needs of smaller towns and rural districts. The leadership of the Novgorod Oblast took a relatively conservative position with respect to the prerogatives of regional governments in land legislation. While generally progressive, the oblast administration was more willing to let the federal government take the first steps in land legislation than were some other regions which decided during this period to take the initiative themselves. A second factor affecting the legal and regulatory component of the project was a pronounced skepticism among local officials about legal and regulatory “reform” projects. There appears to be a general disenchantment with abstract notions of reform that do not take into consideration the economic realities of the region. The upshot of these factors for the legal and regulatory reform component of the project was an emphasis on the existing, limited legislative agenda of the oblast and city administrations. Project advisors focused primarily on the existing agenda of the local administrations and improving their legislative products, rather than constructing an elaborate blueprint for comprehensive legal reform. In several cases the legislative and regulatory agenda grew out of the immediate needs of other project tasks, primarily the land auction demonstration.

ACTIVITIES AND EVENTS

The initial project work plan for legal and regulatory reform focused on land issues and was comprised of 5 main tasks, as follows:

1. Review of Relevant Legislation.

Discussions were held with oblast officials and local policy documents were reviewed to confirm conclusions on the current status of the legislation and to identify legislative priorities. Among the more important documents around which discussion focused was the policy statement prepared by the regional administration and entitled “Concept of Real Estate Management in the Novgorod Oblast.”

A comprehensive review of the relevant federal and oblast legislation was completed as a first step. In addition, legislation prepared by the oblast and city administrations and awaiting enactment was reviewed and discussed. The legislative initiatives on the oblast agenda consisted of the following laws:

- a) Draft, Novgorod City Duma, “On Land Use System and Normative Price of Land in the City of Novgorod.”
- b) Draft, Novgorod City Duma, “On Transfer of Land Plots to Citizens In Ownership for Purposes of Construction and Maintenance of Residential Buildings.”

- c) Draft, Novgorod City Duma, "On Approval of 1998 Basic Rates of Land Rents in the City of Novgorod."
- d) Draft, Novgorod Region Duma, "On Introducing Amendments and Additions into Novgorod Region Law On Procedures of Land Plots Allocation and Withdrawal."

The first three of these items were city initiatives which, upon approval by the duma of Novgorod Velikii, were referred to the oblast for adoption. These laws are piecemeal attempts to deal with the most pressing inadequacies of the federal and local land legislation. The most significant among them was item 4, which was initially a relatively comprehensive modification of the key local land law, the Novgorod Oblast Law On Procedures of Land Plot Allocation and Withdrawal. In a somewhat reduced form, that law remains on the agenda for enactment in late summer, 1998.

2. Summary of Findings and Identification of Legislative Priorities.

Based on discussions and a review of the relevant documentation a set of tentative areas for project work were identified. Main priorities included the pending set of legislative initiatives which had been prepared by the oblast and city administrations, identified above, as well as consideration of the feasibility of a comprehensive local land code. In addition, as the project progressed it became clear that the success of the land marketing demonstration might depend upon a resolution of the issue of municipal land ownership between the local and federal government.

3. Review of Findings and Proposals with Officials.

Discussions revealed several areas which were high on the local agenda. A key event in the process was the roundtable discussion held on April 16, 1998 on issues of local land reform, which was highly instrumental in identifying local perceptions and priorities in land reform.

4. Preparation of Final Action Plan.

In addition to providing commentary on the legislative agendas of the oblast administration, proposals for legislative initiatives were presented in four key areas as follows:

- a) *Land inventory and registration.* Having identified the issues of land inventory and registration as high on the local agenda, an analysis of the current laws of inventory and registration was prepared, which included an action program for legislative development and implementation of local laws of inventory and registration of land and real estate. Serious consideration of the proposed program was deferred largely due to the more pressing issues of establishing the agencies for registration mandated by the federal law "On Registration of Real Estate Rights and Transactions" and other regulations on related matters emanating from Moscow.
- b) *Action plan on municipal land ownership.* An action program was provided to the oblast and municipal administrations for a strategy to resolve the issue of municipal land ownership as a necessary condition to proceeding with auction sales of land ownership.

- c) *Preparation of comprehensive regional land law.* The rationale for preparation of a comprehensive regional land law was prepared and provided to the regional administration. The April 16 roundtable on land law issues produced a tentative agenda on how to address the absence of comprehensive land legislation at the federal level. The conclusion of the roundtable was that a working group under the direction of the head of the regional Land Committee would produce one or more legislative initiatives dealing comprehensively with regional land issues.

5. *Work With Local Officials to Refine Action Plan and Commence Implementation.*

ISSUES ENCOUNTERED

As work progressed two main impediments were encountered. First, there was throughout the duration of the project a great deal of uncertainty in the federal legislative agenda. The long awaited federal land code always seemed on the verge of enactment. At one point the land code was actually enacted, but declared by the President to be invalid on the grounds of a technicality of legislative process. At various times throughout the project it seemed that compromise between the President and the State Duma on land issues was imminent. The President and Duma announced a joint working group which would define the legislative agenda in land reform through the year 2000. That group actually began work and announced an ambitious legislative agenda that appeared to address most of the outstanding issues in land reform; the work of the joint group continues today. Given this environment, local officials were understandably reluctant to forge ahead with regional and local land legislation until the provisions of the federal land code and other federal land laws were set.

Regional experience was a second factor. Local officials argue convincingly that the reason there is not more privatization of enterprise land is that all of the solvent enterprises have already privatized and there are no sound economic reasons for others to do so at this time. Similarly, they argue that reform of agricultural land laws will have little or no effect on the fact that there are enormous amounts of agricultural land in the region that can't even be given away because of the general collapse of the agricultural sector and the lack of credit for agricultural enterprises. Based on these perceptions - which are most often valid observations - there is today a decided preference for limited, precisely targeted legislative initiatives and emphasis on developing practical management programs and procedures within the current laws.

RESULTS

1. *Review and revision of local land law.* The oblast working group has produced a comprehensive draft of a regional land law entitled "Novgorod Oblast Ordinance On Regulation of Land Relations Within the Territory of Novgorod Oblast." The law is designed to anticipate the federal land code and to establish policies which are expected to be delegated to local governments under the land code. The project has produced a comprehensive critique of the draft, together with an alternative draft. These are found in Appendix II. The future prospects of this

work will depend upon actions taken in Moscow on the federal and code and other laws proposed by the joint Presidential/State Duma working group "Land Reform 2000." Any action on such local legislation is unlikely before late Fall, 1998.

2. *Municipal land ownership.* The project has provided advice and guidance to the oblast on implementing a strategy to resolve issues of municipal land ownership with federal authorities. Assistance included establishing necessary contacts, preparation of documentary support, technical support in discussions with federal authorities, and recommendations for oblast legislative actions.

3. *Reports describing and analyzing the existing legislative framework for real property markets in the selected areas of inquiry*

- a) Review of the Real Estate Legislation of Novgorod Oblast and City. This is a comprehensive review and analysis of the legislation in the region.
- b) Comments On Pending Legislation On Immovable Property Relations in the Oblast and City of Novgorod. This is an analysis of the major laws prepared by the city and oblast and awaiting legislative action at the start of the project, including recommendations for additions and modifications to the drafts. (*Materials on this activity are found in Appendix II.*)
- c) Comments on Draft entitled "Concept of Real Estate Management in the Novgorod Oblast. The "Concept" is a document prepared by the oblast administration which sets out a comprehensive approach to real estate reform and management, including a legislative agenda. Commentary was provided on the general approach taken by the paper and the legislative priorities identified in it.

4. *Seminar presentation on conclusions and recommendations, including appropriate seminar materials.* A roundtable presentation of views of the project team and local officials on land reform issues was held in Novgorod on April 16, 1998. The seminar was well attended by officials of the oblast and municipal administrations. The major current issues of and reform were discussed and an action program outlined. Materials produced by the project team for the seminar included a review and analysis of the pending federal land code and its implications for local legislation, and an analysis of the legal and regulatory issues connected with land inventory and registration entitled "Formation, Inventory and Registration of Real Estate Objects and Rights."

5. *Specific legislative or regulatory drafts in the priority areas designated by the oblast based upon the investigation and seminars*

- a) Review and analysis of the Draft Novgorod Oblast Ordinance On Regulation of Land Relations Within the Territory of Novgorod Oblast. This work includes an alternative draft of the proposed local land code (already discussed).
- b) Proposals for amendments to the proposed oblast law "On Introducing Amendments and Additions into Novgorod Region Law On Procedures of Land Plots Allocation and Withdrawal."

Task 3. Land Reform and Market Stimulation

OBJECTIVES

Prior to implementation of the Land & Real Estate Reform program, USAID provided the City of Novgorod Velikii with considerable assistance in the land and real estate sector over the past four years. Among the more successful programs have been the development of the auction process for the sale of land in the World Bank-financed housing estates, development and adoption of the land use regulatory system (zoning), the development of a pilot ad valorem property tax system, and the sale of 57 land parcels under the Enterprise Land Sales (ELS) Program. With the exception of the ELS Program, these programs have principally benefited the City. At the same time the Oblast has moved to enact tax incentives and regulatory reforms to stimulate economic development which has resulted in several multi-national companies investing in major facilities in the Oblast. A portion of these investments have naturally taken the form of real estate: land, infrastructure and buildings. The Oblast has also undertaken an aggressive domestic and international promotional campaign which has had a considerable impact on the perception of the City and the Oblast as being at the forefront of reform.

While considerable progress had been made toward a “market economy”, most city and raion administrations continue to act as if they alone should establish and dictate local real estate market conditions. First, in order for a real estate market to emerge, there needs to be renewed economic activity that leads to demand. Second, the supply of land and improved land, the majority of which is controlled by the local administrations, must be made readily available to meet the market demand. Despite Federal enabling legislation on further methods of land privatization, the successful land auction under the World Bank program and the land sales under the ELS Program, limited progress has been made toward land privatization and a fully functioning land market.

Another constraint to the development of land and real estate markets and the attraction of investment into real estate is the lack of a land title and real estate rights registration system. Immediately prior to the start of this Program, the Federation passed legislation mandating that all local authorities establish a real estate registration system. Work on this component, while a priority, was contingent upon promulgation of the necessary Federal implementing policies and procedures. When these were issued in March 1998, work commenced immediately, as described below.

Sub-Task a: Land Title Registration Program

The objective of this component was to assist in the establishment of simple land title registration systems outside of the City of Novgorod. Registration of title and protection of private rights in real estate is considered an essential component of a functioning real estate market. The Scope of Work was amended twice, first after the RF regulations on “Registration of Real Estate Rights and Transactions” were issued and again, to reflect the latest priorities of the Novgorod Oblast Registration Justice Institution. Its final Scope of Work included the following tasks:

1. Develop sample procedures to cover those issues left by the RF legislation to the discretion of the subjects of the RF. These procedures should define the agency responsibilities and interrelationships.
2. Present these sample procedures during a 2-day seminar attended by Oblast and Raion officials that are to be involved in registration and seek 2-3 raions as volunteers to test these proposed procedures.
3. Assist the Registration Justice Institution and the local agencies in 2-3 pilot raions in implementing these sample procedures.
4. Prepare "working rules" or a business operational plan to guide respective registration office operations.
5. Develop a terms of reference for a "navigational database" to facilitate management of the registration files.
6. Conduct a second seminar to discuss the lessons learned from the pilot raions in implementing the sample procedures and prepare a report for the Ministry of Justice on progress in the Novgorodsky Oblast.

Sub-task b: Pro-Active Land Marketing Program

This component of the Program was intended to demonstrate to pilot cities and raions in the Novgorodsky Oblast how they might inventory their land resources and prepare the information required by investors who might have an interest in these properties. A parallel program component was undertaken in the City of Novgorod by UI. Specifically the scope of work included the following:

1. Develop a standardized inventory of urban land and real estate properties suitable for privatization through either long term lease or sale of ownership rights;
2. Work with the designated Oblast and Raion officials in developing a central listing of these properties;
3. Prepare a "highest and best use" analysis of at least 10 of the most marketable of these properties;
4. Assist in the development of information packages for these properties and develop techniques for an auction or sealed tender event;
5. Assist the Oblast/City/Raion governments in advertising the auction or tender event and marketing the subject properties; and
6. Develop a detailed procedures manual for local officials to assist them in continuing this process.

ACTIVITIES AND EVENTS

1. *Sub-Task a: Land Title Registration Systems*

a. Evaluation of Rules and Procedures

The initial product produced under this sub-task was "Sample" Procedures for implementing the RF- promulgated Rules and Procedures. The RF legislation left significant latitude to the implementing agencies to establish their own internal procedures to meet the requirements. An evaluation of the RF legislation was carried out first and then the "Sample" Procedures prepared. In the course of the project PADCO analyzed the agencies that are involved in the title registration, organize it or are interested in it; to accomplish this the agencies were subdivided into three groups:

1. Agencies that manage real estate.
2. Agencies responsible for state recording and property description.
3. Agencies authorized to exercise state title registration.

PADCO made efforts to organize interaction among the Judicial Agency (and its branches), Land Committees and BTI (Bureau of Technical Inventory). These three agencies are directly involved in the process of property description, state recording of real estate information and title registration. The cadastral number is the key element in the process that unites the activity of the above agencies and information maintained in the land cadastre and the Unified State Title Register. As a result, the decision has been taken that Land Committees and BTI shall designate a cadastral number to each land parcel or building (premises) whose owners intend to register ownership rights.

b. Seminar on "Sample" Rules and Procedures

A two-day Seminar was held in Novgorod on June 18-19, 1998. It was attended by 70 Oblast and Raion officials under the auspices of the Novgorod Oblast Registration Justice Institution. The Agenda for the Seminar is included as Attachment B in Appendix III, Part A. A model document was reviewed by the agencies concerned at the first seminar that took place in Veliky Novgorod on June 18, 1998. Based on this model, a comprehensive model law, "Provisions for Interaction Among Agencies Involved in the Development of the Unified System of State Title Registration in Novgorodskaya Oblast" was proposed to the oblast administration. Its draft provisions regulate division of authority among agencies of the second and third group in compliance with the approach. A second outcome of this seminar was the commitment of local agencies to volunteer as test areas to apply "Sample" Procedures and report back in September at a second seminar. The pilot Raions selected from 11 volunteers were Borovichi, Valdai and Novgorodskii.

"Sample" Procedures are included in Appendix III, as Attachment A.

c. Business Plan for Justice Institution

Three documents were developed to facilitate the work of real estate registrars and specialists from real estate record agencies. These are:

1. Regulations for the Judicial Agency for State Title Registration (a draft).

2. A registrar's real estate reference book (articles of federal laws compiled in groups corresponding to respective sections of the Unified State Title Register).
3. Real estate registration manual (step-by-step guidelines for a registrar of real estate rights). The consultants were also asked to produce a "business Plan" for the Justice Institution rather than the originally proposed analysis of the financial sustainability of the registration offices. These business procedures were demonstrated at the local branches of the Judicial Agency selected by T.A.Fabrichnaya in Soletsky, Starorussky and Khvoininsky rayons. The procedures were later amended to become a "Guide for Normative Operations of a Registration Office."

This guide is included as Attachment C.

d. Data Base Navigational System

It was deemed important to design a data base management system that would incorporate all data related to property registration and permit the user to "navigate" within the database. A seminar was held entitled "Issues of Registration Systems Creation and their Maintenance. "

The Judicial Agency started keeping the Unified State Title Register in paper form, which complicates quick access to information contained therein even when state officials require such information and prohibits organization of effective business procedures. To eliminate the above obstacles the working group developed and presented the following documents to the Judicial Agency as part of the project work:

1. A chart demonstrating relations among the properties, rightsholders and rights in the Unified State Title Register.
2. A real estate classifier for the information and registration system.
3. A system of navigation in the Unified State Title Register (draft of the data base and software applications).

Land Committees were recommended to supply BTIs with a list of cadastral blocks (including land parcels, if possible) for the rayon, stating their cadastral numbers and mail addresses. The working group, in cooperation with the head of the Department of Processing and Storage of Documents V.S. Dolinova, developed approaches for the creation of information and registration systems with the view of prospective exchange of information between the Judicial Agency and its branches. A decision was taken to develop a program with a simple structure and few functions that will partially service basic needs of the Judicial Agency at the first stage. In the second stage the head of the Judicial Agency will make a final decision regarding the necessity of purchase or development of the information system of *industrial class*. At present computer experts of the Judicial Agency are developing the software for the first stage.

e. Seminar on Results of Pilot Implementation

This seminar was held on September 3rd and the agenda has been included as Attachment D. The head of the Land Committee from Staraya Russa put forward the following suggestions to improve cooperation among agencies:

- In order to register a land parcel whose market value is low, it makes sense to accept maps created on the basis of old maps or drawn without application of survey equipment;
- A certificate of the normative price of land appears to be a redundant document, though an applicant has to pay for it;

- Boundaries of some types of buildings (e.g. garages) may be drawn by the land surveyor who makes a map of land boundaries.

These suggestions were included into the adjusted draft of the Regulations.

2. *Sub-Task c: Pro-Active Land Marketing*

This Task was closely coordinated with the UI Chief-of-Party who was responsible for the City of Novgorod component of this program. Work started in September 1997, with initial meetings held with Oblast officials. Pilot City/Raion selection followed. The Chairman of the Oblast Property Committee, Mr. Vladimir Alfimov, was appointed by the governor to coordinate this component of the RII Program. Early recommendations were made to Mr. Alfimov to establish a working group comprised of City, Raion and Oblast officials.

a. Pilot City/Raion Selection

The selection of cities for pro-active land marketing was closely coordinated with the selection of cities for other land related tasks. The Oblast expressed a desire to focus on secondary cities that had not seen significant economic development thereby eliminating Chudova and Novgorodski Raions. The cities eventually selected for inclusion in the Program were Staraya Russa, Valdai, Boravichi, and Malaya Viscera. *(These same cities were the locations of concentrated training in the Property Tax project described in Task 1.)*

b. Major Meetings

While a number of meetings were held between the consultants, including the UI coordinator, and Mr. Alfimov, no formal working group was appointed as requested by the consultants. Nevertheless, the prospective members of an Oblast working group, namely the Deputy Heads of Administration and KUGI Chairmen in each of the selected cities/Raions, attended 2 key meetings chaired by Oblast KUGI Chairman V. G. Alfimov, at critical stages in the program. The subjects of these meetings were:

- a) March 17: Issue of Auction Coordination between the City and the Oblast; and
- b) April 20: Decision to proceed or not to proceed with the auction, given the lack of marketing funds and the lack of Oblast support for sale of ownership rights.

c. HBU Analysis/Property Reports

The inventory and selection of properties for sale or lease to investors was initially carried out by the Cities/Raions based on advice from the consultants regarding the type of properties investors might prefer. Informational check lists were provided to each City to assist them in gathering and documenting the necessary information about each property. This information check list is included as Attachment E. Since the role of the consultants was to advise and train the City officials in this process, the progress of each city was monitored by telephone and periodic visits over several months during which time some sites were deleted from the preferred list and new sites were added. Clarification of actual ownership and information on utilities proved most difficult and time consuming for the cities to assemble.

When performing the highest and best use analysis for each of the 8 city/Raion land parcels to determine their market "land value," it became clear in five cases that the

impact of disproportionately high “participation fees” (payments demanded by the utility companies for providing infrastructure services to the sites) had the effect of creating a negative land value. In other words, the market value of the land was less than what the utilities were charging for “participation fees” to develop it. To further exacerbate the problem, if the developer were to enter into a long term lease for the property rather than purchase the ownership rights, he/she would never be able to recoup the investment in the “participation fees”, e.g., the cost of the utilities.

The completed documentation for each selected site was submitted to the consultants by each city so that the “Highest and Best Use “ analysis could be carried out and the property reports prepared for the proposed auction. While 14 land parcels were selected as suitable for investors, continuing due diligence on the part of the cities uncovered ownership issues or other encumbrances that ultimately reduced this number to 8. Eight final property reports were produced, including highest and best use analyses, to determine market value. The results of this analysis showed that of the 8 properties, only three had a positive market land value given the potential use and the high cost of utility infrastructure. The list of these reports is included in Appendix III, Part A, Attachment F. The reports themselves are included in the “Roll-out Manual” titled “Guide for Development of a Land Market.”

d. Land Auction(s)

The Program called for preparations for a land auction or tender process in an effort to sell or lease these properties. This event was to be coordinated with the City program. An auction date was proposed and preparations begun. However, the oblast cities suspended their auction preparations after a meeting was held on April 20th to decide on auction preparations and strategy. There were two reasons for the cities’ non-participation: first, they were informed that the Oblast administration would not support them in seeking RF approval to sell “ownership” rights and second, the cities and the Oblast could not fund even a scaled-down budget for advertising and marketing of the properties. The RF Law “On General Principles of Local Self-Government Organization in the Russian Federation” that provided the subjects of the RF the rights to manage and sell land rights, contained a small caveat that, until revealed by the consultants, was apparently overlooked or ignored by the Oblast. While the RF transferred these obligations and rights to the subjects of the Federation, they have not transferred the assets: those parcels of State land that are not to be retained by the RF (i.e., other than historic monuments, etc.). Ownership by the RF of all land meant that the cities/raions did not have the right to sell vacant land without first having its ownership transferred to their jurisdiction or by obtaining the approval of the RF to act on their behalf in selling RF land. Presented with these obstacles by Chairman Alfimov, the raion-municipalities cancelled their participation in the auction.

e. Seminar on “Development of a Land Market”

A seminar on “Developing a Land Market” was planned from the outset to “roll out” the experiences of the pilot Raions to the other Raions in the Oblast. The Oblast Administration invited all 22 Raions to the seminar and 4-5 representatives from 17 Raions attended plus representatives from the Oblast Administration. The content of the seminar was taken from the first draft of the manual, “Guidelines for Development of a Land Market.” A copy of the seminar agenda is included as Attachment G.

f. Roll-Out Manual: “Guide for Development of a Land Market”

The most useful deliverable from this project was the “Roll-out Manual” titled “Guide for Development of a Land Market.” The final version is being distributed throughout the Oblast and should be useful for broader distribution in the Federation. The table of contents of the Guide is included as Attachment H.

ISSUES ENCOUNTERED

1. Sub-Task a: Land Title Registration

a. Promulgation of RF Procedures Implementing the Property Registration Law. The start up of this sub-task was dependent upon the promulgation of the implementing rules and procedures for the Property Registration Law and would not have been undertaken at all if these procedures were not issued or were issued later than they ultimately were in March 1998. This decision to defer any technical assistance effort until the procedural guidelines were in place was a wise choice as the experience with the USAID REIS program demonstrated. As soon as these procedures were available the consultants began work on developing the more detailed operational procedures to be installed at the local level, the sample procedures. The technical assistance was thus provided in a timely and effective manner and was well received by the clientele.

b. Decision to Delete Financial Sustainability Analysis. The Oblast Registration Justice Institution decided at the start of the work that they would prefer the consultants not provide an analysis of the financial viability of the registration offices based on various fee generating scenarios. This issue may have had some political sensitivity which the consultants were unaware of. In any event, given the importance of property registration and the need to ensure that the system is self-sustaining, this analysis would have been very useful and the decision to avoid the issue, perhaps short sighted.

c. Multiple Amendments to the Scope of Work

The principal client, the Oblast Registration Justice Institution, requested several moderate changes in scope, i.e., requesting assistance be provided to several additional raions in addition to the pilot raions. The consultants were responsive and these requests were accommodated within the limited resources available. While the end results are not available at this juncture, it would appear that the greater coverage and roll-out of procedural guidelines should be more effective in operationalizing an Oblast-wide registration system.

2. Sub-Task c: Pro-Active Land Marketing

a. Project Organization:

(1) Formation of Working Groups. The consultants, supported by the UI resident advisor, recommended that a formal Working Group be established. As mentioned earlier, no such Group was established. Although the objectives of this Delivery Order have been fully met, the lack of a working group among representatives of the client cities made the project more difficult to implement, especially delivering technical assistance to each city/raion and discussing key issues that effected each client city. The dissemination of information and ideas as well as opportunities to discuss common problems, as occurred during the seminar, would have been facilitated by a working group. The impact of the program and its "roll out" would have been greatly enhanced if several working meetings could have been held. As a lesson learned, for discussion of key issues and dissemination of

information, formats other than a formal working group should have been explored.

- (2) Decision to Separate the City from Oblast. The decision of the City of Novgorod not to avail of the technical assistance available through the program was understandable due to the availability of real estate information and their experience in marketing real estate through prior auctions. Nevertheless, for reasons similar to those for having a working group, the Oblast cities would have benefited from exchanging views with the City on some of the key issues that emerged, especially the sale of ownership rights. At the same time, the City might have benefited from a discussion with the Oblast cities on site selection and documentation for investors. Regardless of whether the City formally participated, a joint working group would have proven very beneficial to the success of the Program.
- (3) Selection of Cities/Raions in Oblast. The city selection process was influenced by an attempt to “spread the wealth”, eliminating cities like Chudova that had had some success in attracting investment. Lessons could have been learned from Chudova. Also, investment is difficult to direct without appropriate policies and incentives. When an effort is being made to create a land and real estate market in a region, the best sites in the most attractive locations (cities/raions) should be selected first. Novgroetskaya Raion would have been an excellent example. Valdai and Staraya Russa are good examples and Boravichi and Malaya Viskhera are poor examples.
- (4) Auctions. The intent of the Program was to culminate the process of land inventories and site selection and documentation with a land auction, preferably a joint auction with the City of Novgorod. For reasons mentioned earlier, the Oblast cities decided not to proceed with their auction. The City of Novgorod decided to hold their auction but had to cancel it when no bidders appeared.

b. Advertising and Marketing Budget. Advertising and marketing is essential in any sales campaign, including the sale of land and real estate. At the outset of the Program it was assumed that these costs would be covered by the clients, preferably in a jointly funded program with the City. In the event, efforts to obtain Oblast funding or City/Raion funding proved impossible and consultant proposals to reallocate USAID contract resources were rejected by USAID on policy grounds. The lesson learned was similar to the one learned during the World Bank housing site auctions: obtain prior budget commitments from local governments before undertaking these programs. Otherwise the USAID investment alone may not achieve the desired results.

c. Restrictions on Sale of Ownership Rights

- (1) “Municipal ownership.” One of the most important issues to emerge from this Program was the identification of a major omission in the RF land privatization legislation. While the RF law, “On General Principles of Local Self-Government Organization in the Russian Federation”, dated August 28, 1995 states that subjects of the Federation may privatize land, including the sale of ownership rights,

all the non-private land within the jurisdiction of the local administrations remains under the ownership of the Federation. In other words, the RF never transferred ownership of this land to the subject of the RF. Without such ownership, the local administrations have no right to sell and must apply to the RF for the property in question to be transferred into their ownership. They were convinced that offering the traditional right to construct and a future long term lease was not sufficiently attractive to investors. In March, 1998, the oblast cities sought the assistance of the Oblast Administration in applying to the RF, but their request was rejected. Consequently these cities decided to withdraw from the auction.

- (2) "Normative" Land Prices. Presidential Ukase #1263 specifies that "normative" prices for the sale of privatized land by local administrations must not be less than 5 times the local tax rate. The multiplier can be set by the local administration. Novgorodski Oblast, despite having signed a memorandum of understanding with USAID to accelerate land privatization as part of the RII Program, passed a regulation, Oblast Ordinance #2, in April 6, 1998, raising the normative price to 100 times the tax rate for urban land occupied by commercial and industrial uses and 200 times for enterprises located in rural areas. [This regulation was uncovered by officials from Valdai while pursuing documentation from the Oblast that would authorize them to sell ownership rights. This information was not disclosed to the project by the Oblast officials, who expressed surprise when this regulation was revealed to them in the midst of the consultants' efforts to determine land pricing based on highest and best use.] PADCO was able to demonstrate to the Oblast that the normative prices actually exceeded the estimated market values for the land parcels under consideration. In other words, the effect of this regulation would be to halt all vacant land privatization in the Oblast. The lesson learned here is that not only is there limited knowledge of real estate market values but also there is still strong opposition in Russia to land privatization, particularly rural but also urban, even in one of the most progressive regions.
- (3) Impact of Utility Company charges. "Participation fees" are charges to not only cover the cost of providing a service to a particular site, but also to cover the cost of "renewing", "rehabilitating", completing the construction of or building new off- site works that often serve a large area. The utility companies, due to a variety of causes, have no alternative but to extract their capital budget, and sometimes their operating and maintenance budgets, from would-be developers. The effect of these practices is the same as that of "normative price" distortions—to impede land privatization and development.

RESULTS AND ACCOMPLISHMENTS

1. *Titling and registration pilot experience.* The enthusiasm and dedication demonstrated by the Oblast and Raion officials in Novgorod toward the rapid and systematic implementation of property registration was very encouraging. The mandate from the RF and the targeted assistance provided through this Delivery Order were key supporting factors. The nature of the assistance, especially the production of standard procedural guidelines for local offices, the piloting of implementation at the local and Oblast levels and the standard operating procedures at the Oblast level are suitable for application virtually anywhere in the Russian Federation outside of Moscow and St. Petersburg. The products of this work should probably be packaged into a guide or manual for distribution to other jurisdictions.

2. *“Pro-active land marketing” results.* A principal objective of this component was to demonstrate to the Oblast pilot cities/raions and later to the other raions in the Oblast, how to identify and prepare municipal land parcels for privatization. Key personnel in six different municipalities now have an understanding of the scope and accuracy of information that investors look for and how this information can be assembled. The proposed process for organizing an auction is found as Appendix III, Part B.

3 *Understanding the restrictive effects of State (RF) Land Ownership* The RF Law “On General Principles of Local Self-Government Organization in the Russian Federation” failed to clarify the right of localities to sell vacant land. The lesson learned is that there are still imperfections in Russian land legislation which will severely impede the development of a land market.

4. *Understanding the Impact of Utility Company charges.* “Participation Fees” payable to utility companies by real estate developers and investors are common in Russia. The lesson learned here is the important inter-relationship between land and infrastructure, especially the negative effect of under-investment in infrastructure has on land values. Local officials now better understand the critical need for reforming and restructuring all utility companies so they can be recapitalized and possibly contract debt to undertake their necessary capital improvement programs.

5. *Production of Roll-Out Manual: “Guide for Development of a Land Market.”* The most useful deliverable from this project was the “Roll-out Manual” titled “Guide for Development of a Land Market.” Its purpose is to document the legal basis for land privatization, acquaint the public sector reader with investor requirements and describe the process of preparing and marketing property for investment. The final version is being distributed throughout the Oblast and should be useful for broader distribution in the Federation. The table of contents of the Guide is included as Appendix III, Part A Attachment H.

III. Component B. Novgorod City

A. Task 1: Establish the Legal and Regulatory Framework

OBJECTIVES

In Novgorod city a significant effort at legal and regulatory reform has long been in progress. Further reform may reduce transaction costs and legal risks and create greater financial incentives, thereby increasing the range of feasible real estate transactions. Project advisors focused primarily on the existing agenda of the local administrations and improving their legislative products, rather than constructing an elaborate blueprint for comprehensive legal reform. In several cases the legislative and regulatory agenda grew out of the immediate needs of other project tasks, primarily the land auction demonstration.

ACTIVITIES AND EVENTS

The project work in legal and regulatory reform, presented in the form of the original project tasks, included the following:

1. Review of Relevant Legislation.

A comprehensive review of the relevant federal and oblast legislation was completed as a first step. In addition, legislation prepared by the oblast and city administrations and awaiting enactment was reviewed and discussed. The major legislative initiatives on the local agenda consisted of the following laws:

- a) Draft, Novgorod City Duma, On Land Use System and Normative Price of Land in the City of Novgorod.
- b) Draft, Novgorod City Duma, On Transfer of Land Plots to Citizens In Ownership for Purposes of Construction and Maintenance of Residential Buildings.
- c) Draft, Novgorod City Duma, On Approval of 1998 Basic Rates of Land Rents in the City of Novgorod.

2. Preparation of Final Action Plan.

In addition to providing commentary on the legislative agendas of the oblast and regional administrations, proposals for legislative initiatives were presented in these key areas:

- a) *Land inventory and registration.* Having identified the issues of land inventory and registration as high on the local agenda, an analysis of the current laws of inventory and registration was prepared, which included an action program for legislative development and implementation of local laws of inventory and registration of land and real estate. Serious consideration of the proposed program was deferred largely due to the more pressing issues of establishing the agencies for registration mandated by the federal

law On Registration of Real Estate Rights and Transactions and other regulations on related matters emanating from Moscow.

- b) *Preparation of local strategy on condominium land.* A strategy for privatization of land connected with multifamily residential buildings was developed in conjunction with the city of Novgorod, based on federal guidelines and regulations.
- c) *Action plan on municipal land ownership.* An action program was provided to the oblast and municipal administrations for a strategy to resolve the issue of municipal land ownership as a necessary condition to proceeding with auction sales of land ownership.
- d) *Action Plan for Conversion of Residential Land Rights.* This proposal set out an action program for conversion of Soviet-era land rights of inheritable possession and use to the modern land tenure of ownership. The proposal was developed in response to the draft local legislative initiative on conversion of residential land rights.
- e) *Proposal On Formation, Inventory and Registration of Land and Real Estate Objects.* This proposal set out the legal basis and necessary steps to undertake a proactive local program of formation, inventory and registration of land rights

RESULTS

Implementation activity included:

1. *Municipal land ownership.* The project has provided advice and guidance to the oblast on implementing a strategy to resolve issues of municipal land ownership with federal authorities. Assistance included establishing necessary contacts, preparation of documentary support, and technical support in discussions with federal authorities.
2. *Condominium land.* A comprehensive package of regulations on delineation and allocation of land to multifamily buildings has been prepared for the city of Novgorod and awaits consideration. Progress on this legislation may depend upon the outcome of present deliberations at the federal level on new federal regulations pertaining to allocation of condominium land rights.
3. Drafts of legislation or legislative provisions produced by the project include:
 - a) Review and analysis of the Draft Novgorod Oblast Ordinance On Regulation of Land Relations Within the Territory of Novgorod Oblast. This work includes an alternative draft of the proposed local land code.
 - b) Regulations On Delineation and Allocation of Condominium Land in the City of Novgorod.

Task 2: Land Use Regulation Activities

OBJECTIVES

In 1997, Novgorod Velikii became the first Russian city to adopt a system of land use regulation based on “zoning” of territories for permitted and prohibited uses. This tool has been instrumental in clarifying the objectives of the city administration to encourage forms of industrial investment in designated areas. Conversely, it has been cited by prospective investors as a major factor in their perception of the city as a progressive place in which to do business. As experience throughout the developed world has demonstrated, land use planning requires continuous review and updating, and Novgorod Velikii’s administration found this experience to apply in the city. Large areas of the northernmost section, surrounding the economically-vital “AKRON” chemical complex, were found to be under-utilized in their “conservation” land use classification. Acknowledging soundness of the principle of creating “buffers” around major sources of air quality emissions (like the “AKRON” plant), the city administration realized that modern real estate development practices could produce compatible, business-supporting “technopark” environments near the facility without compromising the public health and safety. Accordingly, the city administration initiated a re-evaluation of the zoning plan. It arranged to undertake this within the context of studying a larger geographic area, including extensive territories outside the municipal boundaries, in areas under the jurisdiction of, respectively, Novgorod Oblast and Novgorodskii Raion. This activity was made possible by the suspension of project work in the “university partnership.” The circumstances of that suspension are explained in a later section of this Final Report.

Novgorod Oblast has engaged in little activity toward instituting land use and development controls. However, the progressiveness demonstrated by Novgorod City in adopting a “zoning ordinance” has now found a receptive audience in the oblast. With the encouragement of the city administration, Novgorod Oblast is undertaking a study into land use characteristics around the perimeter of Novgorod City. The objective of this effort is to establish a land use regulation regime within strategic neighborhoods surrounding the city. The oblast administration has organized a “working group,” drawing membership from Novgorod Velikii, Novgorodskii Raion, and oblast officials, to oversee and coordinate the study.

Land use regulations within certain areas of Novgorodskii Raion has two primary justifications: south of the city, near Ilmen Lake, coherent **development controls** are necessary to protect historic and environmentally sensitive areas. Conversely, to the north and northeast, it is desirable to identify and **positively encourage certain areas as suitable industrial and economic development** “belts.” A key issue on which the governments seek guidance is a framework for decision-making between local and regional structures of Russian government.

This is a high priority land reform measure of interest to both the city and the oblast, and presents a tailor-made opportunity to reconsider the unused LOE within the “University Partnership” component of the Land Reform Sector’s Work Plan. An essential pre-condition of likely project success is support of Novgorodskii Raion. Raion representatives are evidencing their cooperation in this effort through their constructive participation as members of the oblast “working group.”

ACTIVITIES AND EVENTS

The work of the Urban Institute was organized as follows:

1. Formulating a conceptual development plan for the portion of Novgorodskii Raion adjacent to Novgorod Velikii. This resulted in a memorandum to the working group and a map illustrating this plan.
2. Preparing a preliminary zoning district structure for the same area, including zones for siting economic activities and areas for conservation and protection of environmental resources and historic/culturally sensitive areas. Once the “positive” development opportunities are identified, they can serve as the basis for “development package” opportunities in the form of “special investment areas” by Novgorodskii Raion land reformers. This work resulted in a memorandum to the working group suggesting a district structure and zoning implementation procedures and a draft zoning map.
3. Reviewing the oblast and federal regulations concerning the “lake water protection zone” and the “sanitary protection zone for the AKRON plant.” This work resulted in a short memorandum to the working group suggesting adjustments to the city zoning and concerns with the oblast lake area protection zone.
4. Understanding potential development impacts from the raion development plan and zoning, and recommending inter-jurisdictional mechanisms for equitable mitigation. This work resulted in a short memorandum and discussion with working group.

These tasks were performed in coordination with city, raion, and oblast officials plus their designated consultants.

RESULTS

Appendix II, Part C contains the report which was produced in fulfillment of these four sub-tasks. These resource materials are being utilized to guide the on-going activities of the “working group” whose mission will be completed in early 1999.

IV. Component C. Coordination and Priority Sub-tasks

A. Coordination and Priority Sub-Tasks in Novgorod Oblast

In addition to his paramount function as a coordinator, UI-COP Miller initiated several special activities aimed at identifying unique development opportunities in Novgorod city and “secondary cities” in the surrounding oblast territory.

OBJECTIVES

Harnessing real estate development as a mechanism for economic growth can take several forms. The Land & Real Estate Reform Program sought to find innovative ways to apply western development practices and lessons to Novgorod's progressive economic environment. Potentially useful techniques were summarized in the October, 1997, “Work Program” for the Land Reform Sector. These techniques were:

- Public Infrastructure Development
- Pro-active Land Privatization
- “Public-private Partnerships”
- Economic Development Agency

Introducing these useful practices to oblast and city administrations was divided into tasks, as summarized below.

Sub-Task 2/a. Public Infrastructure Development Strategies are undertaken by governments to obtain useful benefits (in the form of money or capital projects) from private investors who are committed to new development projects. These strategies may take several forms: “Build-Operate-Transfer” (BOT) projects;; regulatory “exactions” (in the form of development fees, donations, or charges); special assessment districts (administered as adjuncts to the tax regime); or others. In Novgorod, infrastructure development strategies were combined with land privatization to structure “development packages” in which special efforts are to be made toward attracting economic investment. **Sub-Task 2/b** Pro-active Land Privatization seeks maximum community rewards from disposition of governmental or enterprise-owned land. It is at the heart of the objective described in this report to “accelerate the private ownership of land and real estate.” During 1997-1998, progress in this sub-task was linked to accomplishments already described in Component A, Sub-Task 3, “Land Reform and Market Stimulation.” **Sub-Task 2/c.** Land Development Arrangements (“public-private partnerships”) activity is intended to acquaint localities with special development mechanisms that can help generate regional economic development and possibly enhance the revenue streams of local governments. Such arrangements include: joint development projects; creating and marketing “planned industrial parks” (PIPs) under the private “master developer” model; marketing existing PIPs through private brokers; and sponsoring transit-oriented “joint development projects” to be leased for private development purposes. **Sub-Task 2/d.** Economic Development Agency arrangements have often been constructive tools to attract beneficial investment by focussing local efforts to attract new businesses and retain existing ones, often within “industrial estate” developments.

ACTIVITIES AND EVENTS

Sub-Task 2/a. Public Infrastructure Development Strategies In Russia, public infrastructure improvements are commonly financed through “exactions” (“Technical Conditions”). These charges are levied on new construction projects through reference to an arcane set of calculations normally known and understood only by the affected utility monopoly. Reform of this practice was identified as an objective during the earliest stages of the Novgorod land reform project. While the principle of exactions is widely known and accepted throughout the developing world, it is most equitably administered where there is “transparency” about the basis for the calculations so that these are understandable by the affected parties. The Novgorod program’s objective was to instill some principles of equity and transparency in the administration of “Technical Conditions.”

A basic principle of transparency is that the type and cost of the sponsored infrastructure project needs to be known. To understand the type and cost, the local government should portray and locate existing and proposed projects, preferably in the form of a comprehensive “Infrastructure Plan” which covers the area encompassing the new development. Two things are required: (1) a distinct geographic area needs to be identified; and (2) an “Infrastructure Plan” needs to be prepared for the area. Combining these into “development packages” helps to establish a geographic “frame of reference” for both the beneficiaries (the utilities) and the project sponsors (the developers). As a result of land reform advisory activities, some oblast raion-municipalities now recognize the usefulness of “development packages” as the planning basis for new infrastructure construction and for priority in “land privatization” activities. The term “special investment areas” has been given to Novgorod’s efforts toward these twin objectives.

Local planning for “special investment area” arrangements is as follows:

1. An area is prescribed by the administration.
2. The existing infrastructure facilities and roads within the area are mapped on an “Infrastructure Plan.”
3. Proposed projects for new facilities are denoted on the infrastructure plan. They are added when they are justified as a result of development requirements and/or to maintain adequate levels of local utility service.
4. The costs of these new projects are calculated. An apportioned project cost which reflects the demand and impact posed by the new development is negotiated between the utility, the administration, and the development sponsor.
5. The construction of the new project is financed once its budget package has been organized by the city, in concert with the responsible utility monopoly.
6. The city’s priority activities toward “Pro-active land privatization” (see next sub-task) efforts are focussed within “special investment areas”

The first oblast community to assemble existing utility and highway information into an “Infrastructure Plan” was Valdai, which began to reference its infrastructure

requirements for a special investment area located on Highway M-10 in April, 1998. Efforts to organize geographic areas of Borovichi and Chudovo as “special investment areas” were begun during contacts with raion officials in July and August. Currently, four administrations are preparing to referencing “special investment areas” as the zones of activity in which to focus land use policies to foster economic development. In addition to forming the territories of “infrastructure planning,” land within these areas will receive priority attention toward clarifying the extent of “municipal” land ownership for future disposition through “pro-active land privatization” (see below). Consequently, “Special investment areas” in these raion-cities are poised to serve as focal points of future land privatization activity (especially that which contributes to economic investment in the form of new factories or tourist facilities) and supportive infrastructure capital investment.

Sub-Task 2/b During 1997-1998, progress toward “pro-active land privatization” in Novgorod Oblast was linked to accomplishments described previously in Component A, specifically the “Land Reform and Market Stimulation” sub-task. Especially relevant were PADCO’s efforts in working with four raion-municipalities to develop inventories of land parcels suitable for marketing. PADCO helped four localities identify twelve properties for “pro-active privatization” through sale at a land auction scheduled to be held jointly with Velikii Novgorod in June. As discussed, none of these land parcels were eventually offered at the auction competition because none of the municipalities felt they were authorized to sell the right to own,” as they preferred to do at that time. Rather, these localities believed that in order to sell the “right to own,” they needed to first clarify their status as “owners” of the land parcels being marketed.

Shortly after Novgorod Velikii’s unsuccessful June Land Auction, the project team, augmented by personnel from the Institute for Urban Economics (IUE), undertook to assist the oblast and the interested raions to accomplish this. After deliberating alternative strategies, it was decided that the best course was to draft oblast legislation which would clarify the extent of municipal property. Simultaneously, the oblast would coordinate the authorization by Russian Federation Ministries to issue complementary regulations defining the properties as “municipal.” At this writing, the oblast legislation awaits adoption by the Duma. The text of the proposed legislation and of supporting materials can be found in Appendix II, Parts B and E.

Once these steps are accomplished, the participating raions (plus Velikii Novgorod) will be armed with adequate documentation for titling of “municipal land rights.” These rights will be registered with the newly-created juridical Administration for Registration of Rights of Property. Armed with this enhanced form of title, the local governments will proceed to market the “right to own” vacant land within their territories in the future.

Sub-Task 2/c. Land Development Arrangements (“public-private partnerships”) Success in creating public-private partnerships depends on attracting motivated entrepreneurs and matching these entrepreneurs with suitable property assets. Local investigations revealed that land development partnerships have already begun in Novgorod Velikii; the “BISNIS PARK” project has transformed partially-finished buildings into smaller spaces suitable for “incubator” industries. Extending the format to the smaller oblast cities is not presently feasible due to unsatisfactory market conditions.

BISNIS PARK is itself on shaky financial grounds stemming from lack of demand for its space offerings. Since the smaller communities have even less mature real estate markets, public-private partnerships were deemed unfeasible, and this category was dropped as an activity.

Sub-Task 2/d. The opportunity to strengthen an existing Economic Development Agency followed an oblast reorganization of existing bureaucracies and personnel. A marketing/promotional agency, the “Noncommercial Partnership Novgorod Investment Promotion Agency,” was created in September, 1997. However, its first executive director resigned in December, and the organization was relatively inactive for the ensuing five months. In May, 1998, a reorganization of the Novgorod Oblast administrative structure resulted in the assumption of the vacant director’s post by Valerii Trofimov, formerly Dep. Governor for Foreign Economic Investment. Upon his accession, new energy was invested into the agency’s work. Credit for this innovative arrangement goes to the oblast and the individuals involved, not the land reform program. Nevertheless, once the agency was rejuvenated, a high level of cooperation was maintained with the land reform project through meetings and event planning arrangements.

Specific Events

- In July, a Seminar in Valdai was held to explain Public Infrastructure Development Strategies and “pro-active land privatization,” especially techniques to clarify the rights and extent of “municipal” land. Development packaging was addressed by discussing “Special investment area” arrangements; and the usefulness of preparing “infrastructure plans” to help guide negotiations with investors and prepare future construction programs.

Issues Encountered in Implementing Sub-tasks

- The oblast raion-cities felt that they did not possess sufficient legal authorization to proceed with “pro-active marketing” as they preferred—e.g., they lacked a clear definition of “municipal” land and therefore lacked an unequivocal authorization to directly market the “right to own” vacant land. This factor, complicated by the lack of advertising “seed money,” resulted in their not participating in Novgorod’s June land auction.
- Even if the smaller cities had undertaken to market their properties in the June land auction, they lacked funding to pay for property marketing. “Pro-active marketing” was hindered in the oblast by this lack of advertising “seed money.”
- Some utility monopolies resisted developing a transparent system of sharing project cost information with prospective investors. This attitude hindered reforms aimed at the inequitable administration of “Technical Conditions.”
- One of the original “sub-tasks” (2/d) was found to be unnecessary and efforts toward a second (2/c) were judged to be unfeasible.

Results and Accomplishments

- Under the leadership of the Oblast Administration, and with the technical assistance of land reform team members, implementation of “pro-active land

privatization” is being pursued through an activity to identify “municipal land ownership” in five localities. All have announced their intention to cooperate in sponsoring competitive marketing events as a means to privatize land in the future.

- Identification of development packages called “special investment areas” is practiced or is under active consideration by three raion-municipalities (Borovichi, Chudovo, and Valdai).
- Efforts of local administrators have overcome utility monopoly resistance to making “Technical Conditions” more transparent. The city administration of Valdai has prepared an “infrastructure plan” which comprehensively portrays existing facilities. It is using this as a tool in property marketing and negotiations with prospective industrial investors.

Table IV-1
“PRIORITY SUB-TASK OBJECTIVES”
in Support of the RII in Novgorod Oblast

Sub-task and Description of Activities	Results in Oblast municipality
2/a Public infrastructure development strategies <i>The Urban Institute team conducted a seminar to guide local personnel in understanding data inputs and presentation requirements for “Infrastructure Plans” and “Special Investment Areas”</i>	<i>Three raion-cities attended the July seminar. Valdai and perhaps Borovichi are drafting “infrastructure plans” to help define infrastructure needs to be used as the basis for negotiations with investors as well as guide future infrastructure construction..</i>
2/b Pro-active land privatization <i>The team instructed Land Committee and other City Administration personnel on all aspects of “pro-active land privatization” land sales events. It also organized local efforts to support oblast legislation aimed at clarifying “municipal land ownership” and the documentation to lawfully register land title with “ownership” status.</i>	<i>Thirteen raion-cities attended the June seminar and three raions attended the follow-up July seminar. Six small city administrations are actively supporting legislation by the Oblast дума and pursuing projects to define areas within their jurisdiction as “municipal” property. Once this has been legalized and recorded, these cities will market the property with the “right to own.”</i>
2/c Land development arrangements (public-private partnerships) <i>The team conducted a seminar to explain these techniques</i>	<i>No direct results. Sub-task was dropped due to unfeasibility</i>
2/d Economic development agency	<i>No activity necessary. Oblast reorganization resulted in strengthening of previously-existing agency</i>

B. Priority Sub-Tasks in Velikii Novgorod (Municipality)

OBJECTIVES, ACTIVITIES AND EVENTS

The UI-COP initiated similar activities to deepen local capabilities in capturing development opportunities within Novgorod city. These closely paralleled counterpart activity in the oblast, although there was more intensive work in the city.

Sub-Task 3/a. Public Infrastructure Development Strategies . During the initial stages of land auction preparation (see “Sub-task 3/b” below), it became clear that the majority of auction property candidates were best suited for industrial sites. It was also clear that attracting property investment and development within these areas would be enhanced by if the city pursued creative administrative mechanisms to restore the “quality” of the industrial environment. Papers explaining and justifying “development packages” in the form of “special districts” were prepared for use by the City Administration, led by Dep. Mayor V. P. Antifeev. These papers are found in Appendix IV, Part A.

Implementation of many of these ideas required money, and the administration agreed to commit proceeds from the land auction to pay for “special district” activities. Unfortunately, no revenues were realized because no properties were sold. The city’s implementation of infrastructure development within “special districts” must await future budgeting decisions. However, the city is now utilizing its “infrastructure plan” as a tool to conduct negotiations with investors. Ultimately, this practice will lead to more equitable and “transparent” land disposition arrangements between the city and the investors.

Events:

- The Chief-of-Party conducted a seminar in February to explain “special district” arrangements and the usefulness of preparing “infrastructure plans” to help guide negotiations with investors and prepare future city facility construction programs.

Map of special district

Sub-Task 3/b. Pro-active Land Privatization in Velikii Novgorod first concentrated on the organization of a land auction, which the city administration scheduled for June, 1998. The procedural steps to undertake this event were drafted by the City Land Committee (designated “Organizer” of the auction) in December, approved by the administration in February, and authorized by a city *duma* vote in March. The approved process schedule is shown in Appendix IV, Part C; a comparison is encouraged between this process and that developed for the oblast raions, which is shown in Appendix III, Part B. Problems in meeting the time schedule were encountered early. For instance, the necessary *duma* authorization which was to take place in February was not completed until late March. Similar slippage occurred throughout the process, but the most critical factors were: (1) final selection of auction sites not completed until early May; meaning that (2) publicity and advertising were not inaugurated until the same time; and (3) preparation of descriptive information packets was delayed for the same reason.

The land reform program’s technical advice focussed on two aspects of land marketing: **supply** (by helping to identify high quality sites which were likely to be sold successfully to investors) and **demand** (by helping to broaden the likely buyer pool). Site selection became the most critical supply-side step in the city’s auction preparation. It was made difficult for two reasons: (1) the number of eligible sites was reduced by the unwillingness of several occupying enterprises to voluntarily vacate their allocation rights; and (2) many superior sites were removed from the auction by the city in order that they could be negotiated directly with seriously interested industrial investors. The consequence of these factors was to shrink both the number and quality of sites offered.

Demand factors focussed on two aspects of marketing: (1) organization and financing of a well-targeted advertising and publicity campaign; and (2) preparation of descriptive informational materials that would convey meaningful information about real estate and the community. Marketing assistance took the form of recommending media campaigns (including electronic media “web-sites”), developing investor contact lists, organizing press conferences, information briefings, and site visitations; and support for the administration’s making direct contact with U.S. investors through the Department of Commerce Foreign Trade offices. (See *Appendix IV, Part B*). Nevertheless, the combination of few and inferior sites and the short, under-funded advertising campaign (under \$300 was spent by the city administration) produced an inadequate market response. The consequence was that no registrants appeared for the auction, and on the eve of its scheduling, it was cancelled by the administration. An evaluation of the city’s auction preparations is included as Appendix IV, Part C.

Events:

- Professionally-organized “pre-auction” events were held to help maximize publicity about the June land auction. Press conferences, pre-auction information meetings, and site visits were organized in May and June to disseminate auction information

Following the unsuccessful experience of the land auction, the land reform program put renewed energy into two initiatives: first, it re-evaluated the role of land reform as part

of an effective program for marketing sites for economic development; and, second, it worked with city officials to seek a clarification of the city's vacant land area as "municipal" property in order that the city administration could in the future market the "right to own."

Pursuing the first initiative involved a critical re-examination of the usefulness of auctions as the best technique to sell property. The failed auction clearly taught that the economic development interests of the city would not be subordinated to the simple merits of privatizing land through open, competitive sales. (Once the most attractive parcels were identified--using the COP's advice during the auction's "site selection" stage--most of these "prime sites" were withdrawn from the auction package and made the subjects of direct negotiations between the city administration and prospective (mainly foreign) investors.) Meaningful negotiations for prime industrial sites usually take months, because the investors are engaged in a complex evaluation of economic and political circumstances. Obviously, this lengthy process is incompatible with the one-time, single-event, "roll-the-dice" atmosphere of a land auction. Recognizing this makes it clear that "pro-active marketing" by Novgorod city should take one of two forms: (1) marketing-cum-direct negotiations for "key" economic development sites; and (2) auctions for secondary industrial sites, residential parcels, and other non-economic base. Appendix IV, Part B contains materials explaining this two-fold land privatization strategy.

The second initiative, clarification of the city's "municipal" land area, was pursued in harmony with parallel work in Novgorod Oblast (see earlier discussion). The chief difference was the city's approach in defining the territorial extent of the properties. Since Velikii Novgorod had benefited from numerous advisory missions to help prepare its "land inventory," it possessed abundant data to support the designation of large swaths—in contrast to individual parcels—to qualify for "municipal" ownership status. [The basic test is a determination that vacant urban land "cannot legally be sold" or that it lies inside the facilities or rights-of-way areas of Russian Federation (RF) agencies, enterprises, or national utilities.] This data facilitated the city's designation of "municipal" in the form of a "blanket" designation embracing several hundred hectares of eligible property. With the assistance of land reform team experts, the city administration prepared maps and tables and these documents are in now the process of being registered as "municipal." Once this step has been accomplished, the properties can be marketed by offering a high quality of land title to potential buyer-investors.

Sub-Task 3/c. Land Development Arrangements ("public-private partnerships")

The city administration preferred not to disclose its negotiating strategies or broaden participation by outsiders in conducting its negotiations with potential investors. Therefore, the team's contribution was limited to making indirect contributions to city skills in negotiating with investors for economic development sites ("industrial" in character). No direct results could be identified in terms of "deal-making."

ISSUES ENCOUNTERED

- Velikii Novgorod remained convinced that it did not possess sufficient legal authorization to proceed with directly marketing the “right to own” vacant land. As a result, the rights which it offered at the land auction—to construct buildings as a condition of land ownership eligibility—were only “partial” rights. When matched against the competition posed by the city’s direct investment promotion program and negotiation of such rights to interested investors, the auction package was doomed to fall short of its marketing objective.
- Lack of funding hindered the advertising and publicity campaign undertaken by the city during May and June of 1998.
- As a result of the unsuccessful auction, no revenue funding source was available to pay for even the modest expenditures proposed to undertake “special district for economic development” arrangements. Despite the administration’s commitment to use auction proceeds to establish “special district accounts,” the lack of auction sales yielded no revenues. This funding shortfall meant that no substantive steps toward district establishment could be taken.
- Some utility monopolies continue to resist developing a transparent system of sharing project cost information with prospective investors.
- The administration holds its property negotiation information closely and discourages participation by non-city personnel in its negotiations for property rights at key industrial sites.

RESULTS AND ACCOMPLISHMENTS

- Concurrent with oblast activity (see previous discussion), Novgorod Velikii has completed its documentation as part of “pro-active land privatization” to define ‘municipal ownership.’ Once the extent and location of its ownership has been legislated by the Oblast Duma and authorized by the RF’s *Minzemprom*, the city will proceed to market this municipal property through competitive sales events.
- Velikii Novgorod has identified a “special district for economic development,” and an “infrastructure plan” of all city utility systems within this area has been assembled.
- The city administration is actively utilizing the tools and techniques developed as part of its land auction preparations to assist in its continuing program of economic development. Improved, concise “Information Packets,” (including the “Infrastructure Plan”) and “Technical Passports,” are now used to assist in marketing and direct negotiations with private investors. These improved tools will also be utilized as part of future auction preparations.

Table IV-2
“PRIORITY SUB-TASK OBJECTIVES”
in Velikii Novgorod

Sub-task and Activities	Results in Novgorod Velikii
3/a. Public infrastructure benefit strategies <i>The COP instructed Land Committee staff and utility service personnel in data inputs and presentation formats for “Special Economic Districts” indicating “Infrastructure Plan” components.</i>	<i>The administration drafted its first “Infrastructure Plan” and used it as a reference for property negotiations for industrial properties. The city administration also endorsed the “special district” arrangement and identified a candidate area in which to guide future investment into employment-generating industrial users. It assigned responsibility for administering the functions to organize the district to personnel of the Land Committee.</i>
3/b Pro-active land privatization <i>The COP instructed Land Committee and other City Administration personnel on all aspects of “pro-active land marketing” to prepare for the June 20th and future land auctions. Following this, the program team supported city administration activities to clarify the extent of Novgorod’s “municipal” land.</i>	<i>No registrants signed up for the June auction properties. However, the city announced that it will regularly hold auctions and tender competitions in the future. In addition, the city administration is actively engaged in identifying “municipal” land within its territorial jurisdiction. Once this has been properly documented and registered, this land will be marketed by the city offering the “right to own.”</i>
3/c Land development arrangements (public-private partnerships)	No activity

C. Coordination of the Real Estate University Partnership

USAID operates the University Development Linkages Project (UDLP) through a number of US universities. The broad objective of the program is to strengthen the university receiving assistance in its ability to provide high quality, sustainable educational opportunities to its students. To date, there have been no such partnerships in the Russian Federation and USAID in 1997 saw promise in a partnership between a US and Russian university to develop and offer a quality real estate curriculum. Novgorod University was one of four to be investigated as a potential partner in curricula for land economics, real estate, and property administration.

The “*Performance Indicator*” for this sub-task -- a partner university identified to work in a partnership with a Novgorod institution—was not realized. Funding sources were based in a related U.S. aid program and these were distributed to other countries during the Novgorod RII operations. Accordingly, the Land & Real Estate Reform project reallocated unused “Level of Effort” amounting to 20 days to support a land reform program of high priority to both the city and the oblast. This project, “Extending Land Use Regulation into Novgorodskii Raion,” took the form of a study and development of land use regulatory measures into the jurisdiction of Novgorodskii

Raion which surrounds the city of Novgorod on all sides. The substituted project is described under Component B, Sub-task 2.

V. Satisfaction of Performance Indicators

The table on the next page summarizes in brief form the results of the Land & Real Estate Reform program for 1997-98. The table provides a comparison between what was targeted at the outset of the program (excerpted from the initial "Work Plan" approved in October, 1997) and actual results.

Most of the program objectives were met, or nearly so. Most of the successes were tasks over which the program had direct control, e.g., conducting seminars and training sessions. The major shortfalls were in activities over which there was less control, e.g., consummating land transaction sales. There were political-institutional, as well as economic reasons for these shortfalls. For instance, the oblast cities chose not to participate in the June land auction, and this meant that in these jurisdictions no property sales could be traced to land reform program activities. The city of Novgorod Velikii chose to reserve its "prime" property sites for conventional negotiations, and this decision, accompanied by its meager advertising effort, doomed the auction-based activities to fall short of their objectives. In the "university partnership" effort, the project undertook activities to "set the table" for implementation of a well-grounded college curriculum, but U.S. budget reallocations rendered impossible any concrete results in this sub-task.

Table V-1

Task	Results or Accomplishments
<p>A/1 Improvement in Tax Structure for Investment</p> <p><i>All objectives met</i></p>	<p>Seminars are conducted in 3-5 oblast-designated places Seminars were conducted in March and April in Novgorod. Officials from four municipalities received training in PTIMS principles.</p> <p>"Roll Out" Model and manual produced and successfully distributed. The manual was produced in September</p> <p>At least one Oblast jurisdiction commits to implementing modern property tax system. Borovich announced its intention to install a "PTIM" fiscal cadastral system by December, 1998</p>
<p>A/2 Legal & Regulatory Framework</p> <p><i>Stated objectives met</i></p>	<p>At least four draft or revised laws or regulations prepared or major comments provided on drafts developed by the Oblast on high priority legislative topics.</p> <p>Comments were submitted to Novgorod Oblast officials on four legislative items, including three from Novgorod Velikii</p>
<p>A/3 Land Reform & Market Stimulation</p> <p><i>Objectives met</i></p> <p><i>Local capabilities deepened, but sales objectives were not met</i></p> <p><i>Objectives not met</i></p>	<p>Titling and registration conducted in at least three places designated by the oblast. A two-day seminar was conducted in June. It was attended by approximately 70 officials from the oblast juridical agency and municipalities. This seminar was utilized to expose the attendees to a "model" registration system. Ten area offices were set up by the new registration agency; the land reform project assisted in two of these.</p> <p>At least 20 properties were identified for "pro-active" disposition and their "highest and best use" was determined. Eight sites were identified to be sold by four different raion-municipalities as part of a proposed land auction to be held concurrently with Novgorod City. However, this concurrent sales event did not occur because the raions were never empowered to sell the "right to own" as they preferred to do.</p> <p>At least 3 properties are marketed using techniques advanced by the project. No properties were marketed for the reason cited above</p>
<p>B/1 Legal & Regulatory Framework</p> <p><i>One piece of legislation is still in progress</i></p>	<p>At least two draft or revised laws or regulations prepared on drafts developed by the city on high priority legislative topics. A law on privatization of land occupied by condominium owners was drafted and under consideration by the city дума and administration. Three other laws were reviewed and analyzed before their adoption by the city дума.</p>
<p>C/2 Coordination & Priority Sub-Tasks—Oblast</p> <p><i>Objectives met</i></p>	<p>Implementation begun on at least two of the four "priority tasks" by oblast or a secondary city. Borovich, Chudovo, and Valdai are all analyzing areas as "special investment zones" and Valdai had utilized "infrastructure plan" information as a planning and marketing tool</p>
<p>C/3 Coordination & Priority Sub-Tasks—City</p> <p><i>Objectives met</i></p> <p><i>Objective not met</i></p>	<p>Seminars conducted on all four "priority task" strategies in the city and/or oblast. Training and materials were discussed and distributed on "special district" techniques, the usefulness of preparing "infrastructure plans," and economic development through "pro-active land privatization"</p> <p>At least 3 properties marketed using "Pro-active" techniques advanced by the project. The city's June land auction failed to attract any bidders for the properties offered.</p>
<p>C/4 University Partnership</p> <p><i>Objective met</i></p> <p><i>Objective not met</i></p>	<p>2 or 3 model curricula developed. Model curricula were developed for training in business principles of the real estate professions.</p> <p>Partner university identified. Lack of a funding source resulted in a shift of Urban Institute resources out of this sub-task. As a substitute, a land use regulatory expert worked with oblast and city officials in preparation of a land use policy plan for areas of Novgorodskii Raion.</p>

INDEX OF MATERIALS

Task 1: Improve the Tax Structure for Investment

Item/Title	Contained in “Roll-Out Manual”?	Contained in Final Report Appendix?
Analysis of questionnaire results Author: CREA Date: November, 1997	No	No
Information on Property Rights In Property Taxation System Author: PADCO Date: April, 1998	No	Yes, Appendix I, Part B
Legal and Administrative Framework for Market Value-Based Taxation of Real Property	Yes	No
Process charts for Property Tax Admin. & Information. Systems Author: NERA/CREA Date: December, 1997	No	No
Preparing for a Property Tax System Author: NERA Date: December, 1997	No	
Questions and Answers About the Property Tax Experiment in the Russian Federation Author: NERA Date: December, 1997	No	Yes, Appendix I, Part C
Requirements for the Automated Management System for managing real estate taxation (AMSRE) Author: NERA Date: November, 1997	No	Yes, Appendix I, Section C

Task 2: Establish the Legal and Regulatory Framework

Item/Title	Contained in “Roll-Out Manual”?	Contained in Final Report Appendix?
Comments on Draft Novgorod Oblast Ordinance “ON Regulation of Land Relationships Within the Territory of the Novgorod Oblast” Authors: Urban Institute (S. Butler) and The Rural Development Institute September, 1998	No	Yes, Appendix II,
COMMENTS ON PENDING LEGISLATION ON IMMOVABLE PROPERTY RELATIONS IN THE OBLAST AND CITY OF NOVGOROD Authors: Urban Institute (Butler and Smith) Date: 17 November, 1997	No	No
Memorandum: Structure of Land Use Regulations for Novgorodskii Raion Author: Urban Institute (Hart) Date: 1 September 1998	No	Yes
“Legal Basis of Land Acquisition for Development Purposes in Russia” Author: PADCO April, 1998	No	No
“NOVGOROD; SPECIAL DISTRICT” Author: Urban Institute (Butler) Date: January 19, 1998	No	No
Outline of work to be performed by Urban Institute in support of Novgorod Oblast Land Regulation project Author: Urban Institute (Miller) Date: July, 1998	No	No
Program: “ <i>RULES FOR LAND USE AND DEVELOPMENT IN TERRITORY ADJACENT TO THE CITY VELIKII NOVGOROD'S BOUNDARIES</i> ” Author: Novgorod Oblast Working Group Date: April, 1998	No	No
Proposal for Work Program Regarding Novgorod Land Legislation Author: Urban Institute (S. Butler) Date: February, 1998	No	No
Proposed Revisions to Draft Novgorod Oblast Ordinance “On Regulation of Land Relations Within The Territory of the Novgorod Oblast” Authors: URBAN INSTITUTE (S. Butler) and The Rural Development Institute Date: September, 1998	No	Yes, Appendix II, Part D
Review of the Real Estate Legislation of Novgorod Region and City, Author: Urban Institute (S. Butler) Date: August 1, 1997	No	No

Task 3. Land Reform and Market Stimulation

Item/Title	Contained in “Roll-Out Manual”?	Contained in Final Report Appendix?
Draft “DECISION Certifying that previously completed buildings have been put into operation” Author: PADCO Date: March, 1998	Yes	No
Draft “DECISION On the Approval of Vested Real Estate Rights; Author: PADCO Date: March, 1998	Yes	No
Information on Property Rights in Property Taxation System Author: PADCO Date: April, 1998	No	Yes, Appendix I, Part B
MODEL PROVISIONS for Interaction among Oblast Judicial Agency for Title Registration and Other Rayon-Based Agencies Author: PADCO Date: June, 1998	No	Yes, Appendix II, Part A
Registration Office Operational Procedures Author: PADCO Date: August, 1998	No	Yes, Appendix II, Part A
RESOLUTION of February 18, 1998, No 219 On Approval of the Rules on Keeping a Unified State Register of Rights to Real Estate and Transactions with it Author: RUSSIAN FEDERATION GOVERNMENT	No	No
Unified State Title Register and Exchange of Information on the Raion Level Author: PADCO Date: May, 1998	No	No

IV. Component C. Coordination and Priority Sub-tasks

Item/Title	Contained in “Roll-Out Manual”?	Contained in Final Report Appendix?
“Analysis and Recommendations on Auction” Author: Urban Institute (Miller) Date: June, 1998	No	Yes, Part IV, Section C
“NOVGOROD; SPECIAL DISTRICT,” Paper Author: S. Butler DATE: JANUARY 19, 1998		
Oblast auction preparation steps Author: PADCO Date: March, 1998	Yes	Yes, Part III, Section B
“Pro-active city process” Author: City of Novgorod Land Committee Date: December, 1997	No	Yes, Part IV, Section A
“Pro-active Marketing—Economic Development; Land Auctions” Author: Urban Institute (Miller) Date: July, 1998	No	Yes, Part IV, Section D
“Pro-active Marketing—Enterprise” Author: Urban Institute (Miller) Date: December, 1997	No	No
“Special District”-City Author: Urban Institute (Miller) Date: February, 1998	No	Yes, Part IV, Section E
“Special Investment Areas”-Oblast Author: Urban Institute (Miller) Date: June, 1998	No	Yes, Part IV, Section E
“Special Investment Areas/Districts”-Outline Author: Urban Institute (Miller) Date: July, 1998	No	Yes, Part IV, Section E, Sub-section3

APPENDICES

FINAL REPORT OF THE LAND REFORM SECTOR “REGIONAL INVESTMENT INITIATIVE” IN NOVGOROD, RUSSIA

Appendix Materials

The following materials were distributed for use by local officials during the project. Most of these papers are not included in the two roll-out Manuals which were written by NERA/CREA (property tax systems) or by PADCO (stimulating land markets). Nevertheless, these appendix materials are in a sequence which is designed for their possible use as supplementary “roll-out” materials

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**PROJECT IMPLEMENTATION AGREEMENT
BETWEEN URBAN INSTITUTE CONSORTIUM
AND
STARAYA RUSSA RAION IN NOVGOROD OBLAST
REGARDING PROPERTY TAX REFORM**

I. INTRODUCTION

This document describes the responsibilities of each of the Parties to this Agreement . The "Parties" are: (1) National Economic Research Associates (NERA)/Center for Real Estate Analysis (CREA) and (2) Staraya Russia Raion.

The Project is part of the Land Sector Reform component of the Partnership for Freedom Program (PFF), which is funded by the United States Agency for International Development (USAID).

The Land Sector Reform component is undertaken by the Urban Institute Consortium being constituted of the Urban Institute, National Economic Research Associates (NERA), and the Center for Real Estate Analysis (CREA), a Moscow-based firm.

II. RESPONSIBILITIES of NERA/CREA

NERA/CREA shall provide to the Raion the following:

1. Training Manuals and written materials concerning:
 - Legal, regulatory and administrative framework for the Property Tax Reform
 - Real Property Tax Fiscal Cadastre Construction and Maintenance
 - Property Tax Information Management System (PTIMS)
 - Taxpayers Education and public relations
2. Property Tax Information Management System (PTIMS) software.
3. Seminars
 - Seminar on fiscal cadastre construction and legal and administrative framework
 - Seminar on Property Tax Roll-Out Model.
4. On-site technical assistance and expertise provided on a limited basis by NERA/CREA.

III. RAION RESPONSIBILITIES

1. Establish and train Working Group of representatives of Departments or agencies with information necessary to construct the fiscal cadastre. Among these, there shall be representatives of:
 - Land Committee (LC)
 - Bureau of Technical Inventory (BTI)
 - City Registrar, and

- eventually, STS and Finance Department.
2. Appoint Project Coordinator.
 3. Provide necessary equipment :computers.
 4. Select appropriate staff for training.

IV. JOINT PROJECT ACTIVITIES

1. Develop and implement the Work Plan.
2. Construct cadastre
 - Identify data needs
 - Identify data holders
 - Develop data collection plan
 - Identify personnel needs
 - Develop data collection form
 - Train data collectors
 - Collect data
 - Develop data entry form
 - Train data entry staff
 - Enter data.
3. Construct the Property Tax Information System (PTIMS)
 - Install: modify data collection module
 - Establish quality control measure
 - Install: modify valuation module
 - Install: modify billing module
 - Install: modify collection and enforcement module
 - Develop standard operating procedures for each module for technical and clerical staff.

This Agreement is effective on the date of signing of the Parties.

The Parties each acting through their authorized representatives, have caused this Agreement to be signed in their names and delivered as of
_____day of _____ 1997.

THE URBAN INSTITUTE CONSORTIUM

STARAYA RUSSA RAION

I. Property Tax Program

B. "Information on Property Rights in Property Taxation System"

INFORMATION ON PROPERTY RIGHTS IN PROPERTY TAXATION SYSTEM

1. Why is data on the property rights required for the property taxation system?

Data on the property rights

- allow to define the taxpayer
- are used to assess the taxable property. Mass appraisal is based on the sales comparison approach. What is the essence of each buy/sell deed? - It is the transfer of the bundle of rights. Therefore appraisal for taxation purposes directly or indirectly evaluates property rights.

2. What kind of data on the property rights is required for the taxation system?

- First, which is most evident and is currently being implemented - data on the holder of the rights subject to taxation (ownership, inheritable lifetime possession, permanent (perpetual) use) or non subject to taxation (lease).
- When creating the information system one should anticipate that in future a more expanded data range may be required, for example, in case other types of rights become taxable in future. Also, in due course the fact that the right holder has rights to the properties attached to the subject property may become one of the major factors of the mass assessment model (for example, a) the house together with the land parcel attached to it will be subject to taxation as one property if they belong to the same owner; b) restrictions in favor of the third parties decrease the price/value of the property.)

3. What are the sources of information on the rights?

- Rights properly recorded before the new state system of title registration was introduced.
- Rights registered in the Unified State Title Register.

What is the difference between these two information sources?

	Recorded rights	Registered rights
Share of this type of rights by 2000	major	minor
Share of this type of rights by 2010	minor	major
Number of available information sources	unlimited	one
Conditions allowing to consider the rights documented/registered properly	various (there is definitely a certain standard de facto in Rayons, however it has been changing with time)	standard
Normative acts which were the basis for rights to be documented/registered	unlimited	so far, limited

Normative acts regulating state registration of title (on April 22, 1998):

Federal:

- Law of the Russian Federation "On State Registration of the Title"
- Rules of Keeping the Unified State Title Register (approved by the Resolution of the RF Government #219 of 18.02.98)

- Resolution of the RF Government #248 of 26.02.98 "On Establishing the Maximum Fee for State Registration of the Title and for Providing Information on the Registered Rights"
- Sample Provision on judicial agency for state registration of the title (approved by the Resolution of the RF Government #288 of 6.03.98).

In Novgorodskaya Oblast:

- Resolution of the Novgorodskaya Oblast Governor "On Measures for Implementation of the State Policy to Establish the System for State Registration of Title" (Resolution #56 of 09.02.98, modified by Resolution #146 of 10.04.98)
- Provision on Oblast Judicial Agency for State Registration of the Title (approved by the Novgorod oblast Governor's Regulation #137 of 07.04.98)

Under development in Novgorodskaya Oblast:

- Resolution on the Amount of Fee for State Registration of the Title and for Providing Information on the Registered Rights
- Regional program of creating the title registration system
- Sample provision on procedure of interaction among the judicial agency for title registration and other agencies

4. What do we do with data on the property rights?

Data (as defined) are odd pieces of information.

Information is a combination of logically related data.

Knowledge is information available in the place and at the time of decision making.

Therefore, we are **linking** data on the rights and use them to link other data with one another. The rights link the property and the right holder.

It is most important not only to establish proper links between available data which takes place at the initial stage during mass entering of data but also create a situation when the information being generated comes out linked or prepared for linking.

5. How are links established between data?

Unique identifiers are used to establish links between data.

For a property the unique identifier shall be a cadastral number.

For the right holder the unique identifier shall be:

for a legal entity:

- full name
- individual number of a taxpayer
- legal address
- date and place of the legal entity registration
- reference number of the registration certificate
- actual address

for individuals:

- last name
- first name
- middle name
- date of birth
- identification document and its requisites

- permanent residential address or primary address

For the registered right the unique identifier is a registration record reference number.

But the registration record number is the number given to the application for title registration (entry reference number). Therefore, there is a danger of collision: registration of rights of different entities or persons based on the same document, registration of several restrictions based on the same document.

Attention! It is not simply the registration record reference number that is unique for the registered right but combination of such a number, reference to the property, right holder and the type of the registered right (see Rules of Keeping the Unified State Register). Technically it is very inconvenient. One can only hope that explanations will be provided or alterations made.

Now back to cadastral numbers. Registration files (Unified State Register sections) are kept for each property and are identified using a cadastral number. A cadastral number is given by a real estate recordation agency. To have any right registered the applicant shall submit to the registrar a map of the property with reference to its cadastral number. Registration without cadastral number is permitted only for the land parcels which were not subject to cadastral survey or survey has not been finished yet. In this case the property will be registered using a conditional number given by the registration agency and not by the recordation agency. As soon as the property recorded with the conditional number is given a regular cadastral number the registration agency makes appropriate alterations in the registration file (section of the Unified State Register) (see articles 12, 17, 18 of the Law "On Title Registration").

Thus the recordation agency may never learn that a property was given a conditional cadastral number and the registration agency may never learn that a property was given a regular number instead of a conditional number.

Taxation faces another danger resulting from the procedure of giving conditional cadastral numbers: conditional numbers do not contain information on location of the property within administration unit (for example, assessment zone).

What can be done? A resolution can be adopted on the Oblast level (see Article 12 of the Law) on the rules of assigning conditional cadastral numbers which shall stipulate the following:

- A conditional cadastral number can be assigned to a land parcel only if the recordation agency provided a document that the property has no regular cadastral number (the recordation agency shall give its "approval" to assign a conditional cadastral number to the property, it would be great if they could also give a "recommended conditional cadastral number").
- A recordation agency shall register such "approvals".
- The registration agency shall use a **certain format** assigning conditional cadastral numbers.
- Assigning a regular cadastral number to a property, which once was assigned a conditional number, the recordation agency shall notify the registration agency.
- Within a **certain period** of time from the date of such notification the registration agency shall replace the conditional cadastral number with the regular cadastral number.

A fixed format will ensure the required level of accuracy for the location of the property registered under a conditional number.

Let's discuss why and how to limit the period of time for the registration agency to change the conditional cadastral number for the regular number. For taxation most important is to avoid the situation when property taxation data base is updated at the time when a property registered in the registration agency under a conditional number has already been assigned a

regular cadastral number in the recordation agency. What will the consequences be if it happens? Let's take a property under a regular cadastral number from the recordation agency data base. Then look for the right holder (tax payer) in the data base of the registration agency. We will not find a property under this cadastral number there. Such situation is called data disintegration.

6. How to avoid data disintegration?

The answer depends on the organizational structure of agencies providing data for the taxation system. In general, all options come to two different cases:

- all agencies providing information for the taxation system can be connected into a local area network
- all agencies providing information for the taxation system can not be connected into a local area network

In the first case special software can monitor the system for data disintegration.

In the second case the most effective measure may be to announce moratorium for assigning new cadastral numbers several days before updating information in the property taxation database. During these several days the registration agency will replace all conditional numbers assigned to the properties during the year (during the period from the latest updating of the taxation system) with regular cadastral numbers.

I. Property Tax Program

C. "Requirements for the Automated Management System for Managing Real Estate Taxation (AMSRE)"

Requirements for the Automated Management System for managing real estate taxation (AMSRE)

1. General requirements

Automated Management System for managing real estate taxation (AMSRE) which is in the process of development will serve the purposes of automation of management of the city (district) real estate and it shall incorporate the following application modules:

- managing RE cadastre
- issuing registration notifications
- controlling the quality of RE cadastre
- RE appraisal
- managing taxation
- computing taxes
- issuing tax receipts and a register
- statistical module
- information searching module
- servicing modules.

Data base of AMSRE should contain data on:

- land plots
- constructions (primary projects)
- premises (secondary projects)
- tax payers (legal entities and individuals)
- rights
- tax parameters and benefits.

All data on objects of taxation, tax payers and their rights to real estate, characteristics of land plots and constructions shall be entered into RE cadastre in compliance with forms for entering data, which forms shall be sent by appropriate city (district) organizations - land committee, bureau for technical inventory etc.

The system should generate the following outgoing documentation:

- notification about registration of RE
- tax bills
- register of collected taxes.

Complete set of documents pertaining to the system includes the following:

- "AMSRE. User Guide"
- "AMSRE. Installation Guide"
- "AMSRE. Data Base Description"
- "AMSRE. System Description"

2. Requirements for application modules

2.1. Module for managing RE cadastre should provide for:

- entering data from incoming documents (data entry forms) to the table “Electronic images of data entry forms”,
- examining correctness of data and correlation between the newly entered data and the current status of the RE cadastre,
- automated entry of data into the RE register (if the data proved to be correct).

Two versions of this module are in the process of development now:

- interactive,
- package version.

A model data entry form is contained in Addendum 1.

2.2. Module for issuing registration notifications shall provide for execution of notifications, their preliminary reviewing and printing notifications about registration of real estate:

- pertaining to all RE projects,
- pertaining to a specified sample of projects.

A model registration notification and a list of criteria of sampling projects is contained in Addendum 2.

2.3. Module for controlling the quality of RE cadastre should provide for the launching of procedures for control over the quality of RE cadastre on the basis of certain formal criteria and visual display of the results of implementation of those procedures. For example, those procedures should include control over the state of readiness of different parameters of the project for computation of cost.

Criteria of determination of RE cadastre quality is contained in Addendum 3.

2.4. Module of RE appraisal should provide for the launching of procedures of mass appraisal of value of:

- all real estate projects contained in the register,
- a specified sample of projects.

Formulas of mass appraisal of value are contained in Addendum 4.

2.5. Module for managing taxation should provide for:

- entry of parameters necessary for computation of taxes
- entry and removal of benefits in the process of computing taxes.

2.6. Module for computing taxes should provide for computation of taxes levied on :

- all projects contained in the RE register,

- a specified sample of projects.

Algorithms of tax computation are given in Addendum 5.

2.7. Module for issuing tax receipts and a register of taxes should provide for execution of those documents, their preliminary reviewing and printing documents:

- pertaining to all projects contained in RE register,
- pertaining a specified sample of projects.

Samples of a tax bill, a tax register and a list of criteria of sampling projects are given in Addendum 6.

2.8. Statistical module should provide for the launching of procedures for collection of statistical data on RE appraisal and visual display of the results of implementation of those procedures for:

- all projects contained in RE register,
- a specified sample of projects.

Criteria of sampling and grouping projects for the purposes of collecting statistical data are contained in Addendum 6.

2.9. Information searching module should provide sampling of information about RE projects in accordance with pre-set criteria, like, for example:

- address
- payer

Criteria of sampling is contained in Addendum 7.

2.10. Servicing modules should provide for:

- keeping records reflecting changes in the data contained in the RE cadastre,
- automatic recalculation of cost and taxes when parameters of RE undergo changes.

3. Special requirements

3.1. Protection of data from unauthorized access

Addenda

1. Model data entry form
2. Model registration notification
3. Criteria of determination of RE cadastre quality
4. Formulas of mass appraisal
5. Algorithms of computation of taxes
6. Samples of tax bills and a tax register
7. Criteria of sampling and grouping of projects for collection of statistical data
8. Criteria of sampling for the information searching module.

Appendix II Legal Framework in Oblast and City

A. Proposal for Action Plan for Conversion of Residential Land Rights: "SYSTEMATIC REGISTRATION"

PROPOSAL FOR ACTION PLAN FOR CONVERSION OF RESIDENTIAL LAND RIGHTS: "SYSTEMATIC REGISTRATION"

(Adapted from paper by S. B. Butler, The Urban Institute
ADDITIONAL POINTS IN *ITALICS*)

PROBLEM:

- Many owners of single-family homes within the city limits continue to hold land rights in the form of unlimited use or inheritable lifetime possession.
- It is the policy of the Russian Federation to phase out entirely these forms of land tenure except in the limited cases of state owned enterprises and budgetary organizations, as they do not suit the needs of the emerging free markets in personal land plots.
- The primary flaws of these forms of tenure as applied to personal land plots are:
 - they restrict rights of disposition, including sale and mortgage;
 - preserve a state ownership interest in the land held for personal use, contrary to public policy; and
 - create ambiguous titles as well as other problems related to state registration of real estate rights and transactions.

CURRENT PRACTICE—"PASSIVE REGISTRATION":

- The city of Novgorod is implementing a program of registration *which is intended to encourage private owners to register their individual property rights by simplifying the administrative process for property rights registration*
- While this proposed approach is in the right direction, there are several issues:
 - The role envisioned for the city under the proposed law is largely passive.
 - The current practice preserves the right to lease residential land,. In fact, the differential rates for lease rents and land taxes encourage leasing rather than ownership *because the tax rates are higher.*
 - The current practice might result in citizens waiting until the last moment to apply for conversion to ownership, creating an administrative problem as applications flow in as the deadline approaches.

ALTERNATIVE ACTION PLAN FOR CONVERSION OF RESIDENTIAL LAND RIGHTS: "SYSTEMATIC REGISTRATION"

- The general steps of an alternative action plan for conversion of rights through a program of "systematic registration" residential land include:
 - Prohibit leasing of newly acquired residential land plots. Henceforth exclusively grant ownership to those who newly acquire a house or residential land plot.
 - Modify the land rent laws to make rents for residential land plots as least as great as land taxes; preferably greater. *(And explore feasibility of implementing a land tax which is imposed on "use rights" value. Install a revenue system which incorporates both a rental and a "use rights" tax on rented properties.)* If this is not possible, impose an initial purchase price to obtain a lease of a residential land plot.
 - Prepare the Regulation on Delineation (Formation) of Residential Land Plots and Conversion of Rights of Use and Lifetime Possession; refer to RF Government Regulation No. 105.
 - Form City Teams for Delineation and Adjudication of Rights to Residential Land Plots.
 - Define "action areas" (geographical portions of districts) and the sequence of consideration of action areas.
 - Publish Notice of the Plan and Sequence in the Local Press.
 - Commence Delineation of Land Plots and Conversion of Rights.
- Specific steps within each "action area" would include:
 - Announcement in the local press of commencement of activity in the action area.
 - Assembly by team of city records on land plots; inventory of residential land plots in the designated action area.
 - Identification by team of unregistered rights and registered rights of use and lifetime possession.
 - Identification by team of boundaries and evidence of land rights from city records.
 - Field Visits, as necessary.
 - Notice of occupant of date and time of field visit.
 - Review of land boundaries and rights with occupants.
 - Preparation of preliminary report on boundaries and rights for land plots.
 - Prepare boundary sketch to standards established by land committee and registration agency.
 - Notice to Land Occupants of Preliminary Conclusions.
 - Notice of right to request a meeting with City team (or representative) within specified period of time; etc.
 - If requested, meetings by City Team with land occupants to resolve questions and disputes; resolution of disputes.

- Final Decision
- Notice to land occupant of final decision and intention of the city to register a certificate of ownership in the name of the occupant in 30 days unless within that time the occupant requests a lease.
- Registration of Certificate of Ownership

BENEFITS OF ALTERNATIVE PLAN:

- Helps to direct conversion of residential land rights away from leasing and toward ownership.
- Gives to local government more active role and control over the pace of conversion.
- *May encourage a program which involves simultaneous property identification (physical cadastre) concurrently with property rights registration of each property*
- Through periodic announcements advises citizens that the process has commenced and encourages them to resolve their land rights.

DRAWBACKS OF ALTERNATIVE PLAN:

- Requires some investment of city resources

II. Legal Framework in Oblast and City

B. Municipal Land Ownership Correspondence with Novgorod Oblast Land Committee

Letter of 25 August, 1998 to Deputy Chairman N. M. Manuhin

Dear Nikolai Maximovich!

Novgorod Oblast Land Committee has prepared the draft of regional law on introducing amendments and additions to the regional law "On allocation and withdrawal of land sites in Novgorod region". This very important legal law where an effective provisions providing the possibility of a progress in land reform was adopted by Oblast Duma in the first reading. However in our opinion if the following remarks and suggestions were taken into consideration it would allow to improve the law wording.

According to the draft point 1 article 5 : "land plots, located in urban and rural settlements, and the right of its lease to private individuals and legal entities can be sold through public sales according to the resolution of the competent self government body from now on until enactment of RF law on federal and municipal lands."

This provision contradicts to legislative or some other legal laws which regulate land relations according to which the self government bodies have the powers to possess, use, dispose and manage the land sites which are in municipal ownership. In particular according to the point 3 of Procedure of organizing and holding Public Sales (auctions, competitions) on selling of land plots, located in urban and rural settlements, and of the right of its lease to private individuals and legal entities approved by the RF Resolution of 5/01/98 No2, land plots which are in federal state ownership and the right of its lease can be sold only according to resolution of RF Government or specially authorized by it federal executive bodies.

While improving the draft it is necessary to introduce the addition to the original text of point 1 article 5. This addition will consider that land sites which can not be privatized according to the RF legislation are not for sale. The sale of land sites occupied by sea-, river- and airports is prohibited. The following land is also not for sale: land of common use in settlements (squares, streets, drive-ways, roads, embankments, parks, forest parks, public gardens, gardens, boulevards, ponds, beaches) ; conservancy area, nature monuments, national and dendrology parks, botanical gardens; health improvement land , land of historical and cultural use; lands granted for agricultural use, for use and protection of mineral resources; contaminated lands, biologically contaminated lands, land sites which are in temporal use (point 4.2 of General provisions on State program of privatization of state and municipal enterprises in RF after the 1 of July, 1994, approved by RF President Decree of 22/07/94 No1535, RF President Decree of 14/06/92 No 631 "On approving the procedure of sale the land sites under privatized state and municipal enterprises, their extension and additional construction, also allocated to citizens and their organizations for business".)

According to this, we suggest to improve the text of the draft and discuss the proposed version of the text of article 5 point 1: " from now on until enactment of RF law or other federal legal acts determining the demarcation of state lands into lands vesting to RF, to Subjects of RF and municipalities establish that self government bodies can dispose of lands including the right to sell land plots, located in urban and rural settlements, with the exception of lands referred to federal property and/or not for sale according to the existing legislation, and the right of its lease to private individuals and legal entities".

With every good wish,

M.R.Miller
Chief of the Party

25 of August, 1998

Letter of 27 August, 1998 to Deputy Chairman N. M. Manuhin

Deputy Chairman of the Novgorod Region Land Committee

Dear Nikolai Maximovich,

While working on the regional law draft on introducing amendments and additions to the regional law "On allocation and withdrawal of land plots in Novgorod region" please consider the following addition to the letter of the 25th of August, 1998.

It is expected to exclude part 6, article 1 of regional law "On allocation and withdrawal of land plots in Novgorod region" saying that "land plots can be allocated to foreign persons and persons without citizenship on the leasing terms" from the law and to introduce a prohibition for foreign physical and legal entities to have right to buy a land plot.

However according to the RF Constitution, part 3, article 62 foreign people and people without citizenship have the same rights and obligations in Russian Federation as Russian citizens have except the cases determined by a federal law or RF international treaty. Hereby the RF Constitution equals foreign persons, persons without citizenship and Russian citizens in their rights and obligations, that is it establishes for these people "a national regime". It is essential that the national regime is established in part 3, article 62 as the general principal of Russian legislation. According to part 3, article 62 this principal of equal rights and obligations acts as a plenitude if a federal law or RF international treaty does not determine the other. According to the RF Constitution any dismissals of the national regime (disability or on the contrary accrual of rights in comparison with Russian citizens' rights) can be established only by federal law or international treaty. Introducing the special rights for foreign people in some other laws is not legally acceptable.

The RF Civil Code also assigns the national regime for foreign citizens and people without citizenship. According to article 2 of the RF Civil Code the rules established for Russian legislation are applied to all kind of relations with foreign people, persons without citizenship and foreign legal entities except the cases determined by a federal law.

The RF legislation does not have regulations directly prohibiting for foreign legal and physical entities and persons without citizenship to have land plots in ownership. Furthermore according to the RF President Decree of 24.31.93 No2287 "On making the federal land legislation in accordance with the RF Constitution" in connection with the RF Constitution adoption, article 7 of the RSFSR Land Code prohibiting to sell land plots to foreigners in ownership and life heritage tenure is disabled. It also should be mentioned that according to point 10 of the Procedure of organizing and holding of public sales (auctions, competitions) on selling of land plots, located in urban and rural settlements, and of the right of its lease to private individuals and legal entities, approved by the RF Resolution of 5.01.98 No2, any person, who has submitted an application with required and properly issued documents not later than on the date, specified in the notification and has transferred the deposit sum by the deadline of applications reception to the accounts, specified in the notification, can take part in public sales.

The plain truth is that there will be present some essential restrictions for the land turnover. Probably these restrictions will be connected with the turnover of the agricultural lands. Due to that at present time introduction of agricultural lands in economic turnover is possible with some restrictions. This provision is reflected in RF Resolution of 21.03.98 No 321

"On the results of social and economic development of Russian Federation in 1997 and on tasks for 1998" and RF Government program "Russian Government twelve activities in the sphere of economic and social policy" approved by RF President.

Considering aforesaid we suggest to review the following text of part 6 article 1 "according to the present law foreign legal and physical entities and persons without citizenship can be the buyers of land plots, located in urban and rural settlements, with the exception of the lands excepted from or restricted in the turnover including agricultural lands. Agricultural land can be leased to foreign legal and physical entities and persons without citizenship".

With every good wish,

M.R.Miller

II. Legal Framework in Oblast and City

C. Land Use Regulation Memorandum: Structure of Land Use Regulations in Novgorodskii Raion

Memorandum

To: Novgorod Working Group
From: Peter D. Hart, Land and Real Estate Reform Team
Re: Structure of Land Use Regulations for Novgorodskii Raion
Date: 1 September 1998

1. Introduction

This memorandum is intended to provide a structure for the introduction of modern land use regulations in the suburban area of Novgorodskii Raion. The memorandum focuses on legal zoning which is the core of modern land use regulations. It begins with a discussion of the purpose of zoning and its effect on development of the raion area. A model structure of land use zones is suggested and the basic components of a zoning ordinance are explained. Finally, the administrative procedures for development approvals necessary to implement zoning in Novgorodskii Raion are outlined. To go along with this memorandum, a draft zoning map has been prepared. The basis for this map has been preliminary analysis of the study area and preparation of a preliminary land use plan. Both the land use plan and the zoning map will be refined as this work continues in conjunction with the Town Planning Fund and Novgordzempredpriatie.

Other land use regulations are historic preservation regulations and environmental regulations. Historic preservation regulations are under the control of the Oblast administration and have not been considered in detail in this memorandum. Environmental regulations include special regulations for the water protection zones in Novgorodskii Raion and sanitary protection zones for industrial development. Water protection zone regulations have been instituted by both the Oblast and the Russian Federation to protect the water quality of Lake Ilmen, the Volkov River and its tributaries. A model water protection ordinance was prepared for these areas in February 1998 under a USAID contract. Federal SNiPs (construction standards and norms) govern land uses surrounding industries.

2. What is Modern Zoning?

Zoning is a mechanism for regulating the use of land within a local jurisdiction by dividing the land area into zones that permit specified uses and activities. The types of zones are based on the long-term land use plan for the area. Therefore a planning process is essential prior to creating a zoning ordinance.

Modern legal zoning serves a community in a variety of ways. Laws which determine the types and density of land uses are one factor to estimate future needs for public investment infrastructure, roads, social and educational services. By establishing the types of uses on the land, zoning plays a crucial role in land valuation. By controlling conflicting land uses, zoning can help maintain the value of individual property and provide security to land owners and developers. Through proper administration, zoning can render predictability to the development processes of a community which improves the climate for investment.

Most land use regulations contain at least three parts. The core of the regulations is the establishment of the zones and the accompanying rules for land use and development. Equally important is a description of the procedures for acquiring a zoning approval and of the agencies involved. Finally, a zoning map which shows the location of each zone is an essential part of the regulations. Additional regulations allow conditions for variances to the regulations, explain how existing non-conforming uses are handled, and clarify how the regulations can be changed and amended.

Each zone designates the types of uses allowed and the standards for development within the zone. Uses are divided into two major categories - those that are integral to the zone and permitted by right, and those which may be permitted under special conditions by special permit. Development standards may stipulate many factors, such as the height of buildings, setback from rights-of-way, required lot size, and the density or amount of development that is permitted on the lot. Supplementary regulations may offer rules for the control of parking, signs, or may require landscaping or buffering between certain uses. Modern land use regulations often require performance standards for different types of industrial uses that are linked to the zone in which they are located.

3. Structure of Land Use Zones for Novgorodskii Raion

In the past three weeks we have worked with the staff of Novgordzempredpriatie to analyze existing conditions in the raion study area. We have determined the constraints and opportunities for future development of the area and formulated a preliminary land use development plan. We have drafted a zoning district structure based on this plan. For consistency, we have tried to parallel the zoning structure of the City of Novgorod, however, due to basis differences in geography, the nature of the zones in the raion are somewhat different from the city. The following is a recommended list of the zones with a description of the intent of each. The location of these zones are shown on an accompanying preliminary zoning map.

Residential Zones

Æ-1 Large Lot Individual Residences: The intention of this zone is to permit single and two family dwellings on large lots which have self contained water and wastewater facilities. In addition to residences, low impact agricultural activities may be allowed as a principal use. A minimum lot size should be established to accommodate the functions allowed in this district. Other uses allowed by special permit may be recreation facilities, small inns and guest homes, restaurants, small retail stores, tourist and recreation facilities, and places of worship. Developments located within the water protection zone may be subject additional review under the requirements of that zone.

Æ-2 Cottage Residences: This zone is intended for one and two family cottage residences or block houses for two or more families, no more than three stories in height, on smaller lots which may be connected to public water and sewer facilities. Special permit uses may include places of worship, educational facilities, and convenience stores for local use. Accessory uses, such as parking and storage are permitted only in conjunction with a principal or special permit use.

Æ-3 Houses for Two or Three Families and Apartment Houses not higher than 5 Stories: This zone is a general purpose residential zone which includes single and two family residences, block houses and apartment residences up to 5 stories in height. These zones are located in areas where there is substantial public investment in infrastructure and where there are social and educational support services for the residents. In addition to residential uses, principal uses permitted by right include places of worship, educational institutions, public

safety service (police and fire), clinics and social services. Special permit uses may include small shops and repair services.

À0 Mixed Use Zone - Residences/Services for the Population: This zone is intended for mixed residential and commercial uses in active locations along major roadways. Although a mixture of residential types is allowed, the zone allows high density uses which take advantage of available infrastructure and a multitude of services. Local neighborhood businesses and services provide for the needs of the population. These uses are allowed in the first floor of residential buildings, in kiosks, in separate structures, or in “lean-to” structures adjacent to residential buildings.

Industrial Zones

İ-1 Businesses for Servicing Industry: This zone is designed for low-impact industry-related activities such as repair shops, offices, warehouses storage and distribution of goods, and small assembly and manufacture of items which do not have sanitary zone requirements. Also permitted are a wide range of commercial services which may have a regional market. The zone can be mapped as a buffer between higher impact industrial uses and other non-industrial uses.

İ-2 Enterprises of the IV-V Categories of Pollution and Warehouses (Sanitary Zones up to 100 M.): This zone is intended for light industrial activities that have a minimal impact on surrounding land uses and according to SNiP requirements have a sanitary zone of 100 meters or less. A limited array of complementary uses may be permitted only by special permit in order to preserve these parcels for the generation of economic activities and employment which benefit the region as a whole. The location of industrial activities would be considered on a site-by-site basis with regard to the capacity of existing infrastructure and access.

İ-3 Enterprises of the II-III Categories of Pollution (Sanitary Zones of 300, 500, and 1000 M.): This zone is similar to İ-2, except that heavier industries are allowed which require a sanitary zone up to 1000 meters.

İ-4 Planned Business/Industrial Park Zones: This zone is intended for large areas of land which are to be planned as a unit with a mixture of complementary uses. In general, these are low-impact industries, offices, research or development activities which would not be subject to the sanitary zone requirements. Building may be located in a coordinated campus-type site plan. Large parts of this zone are located in areas currently under served by access and infrastructure. In order to create viable development the cost of importing these services and other site preparation activity suggests that the areas need to be planned and marketed as larger development units.

Conservation and Recreation Zones

P-1 Historic and Cultural Preservation Zone: The intent of this zone is to support the conservation and restoration of designated historic and archeological sites and cultural landscapes. Uses are permitted which compliment the historic character of these zones, ensure the recovery and restoration of historic monuments and places of archeological value, and provide for the public enjoyment of designated structures. Due to the sensitive historic character of these areas all uses, except temporary structures associated with restoration activities, require special permit approval and review by the oblast historic preservation authorities. Some of the types of uses which may be allowed by special permit include, single and two family residences, inns guest homes and tourist centers, agriculture, museums and

exhibition halls, places of worship, education facilities, and cemeteries. Accessory uses, such as stables, storage facilities, parking and barns may be allowed only in conjunction with a permitted use.

P-2 Dacha Zone: The P-2 Dacha Zone is intended to provide a location for dachas and kitchen gardens for use by citizens. Since these areas are intended for seasonal and temporary residential use, they are not intended for public infrastructure investment. Typical uses permitted by right include: dachas, kitchen gardens, places of worship, and recreation facilities. Special permit uses may include sanatoria, cemeteries, etc.

P-3 Zone of Active Recreation in Parks: This zone is intended for active recreation and park lands. Typically they would be located in conjunction with intensive areas of land use and would be determined as areas are developed overtime. Principal uses include passive and active recreation facilities such as playgrounds, ball fields, sports centers, ski trails, swimming pools, gardens, and sitting areas. Special permit uses may include stadiums, museums and exhibition halls, cafes and restaurants, etc.

P-4 Zone of Natural Landscapes: This zone is intended to preserve specially protected natural features and to permit uses which do not put those features at risk. Principal uses may include fish breeding ponds, boat launches, piers, hunting facilities, camping, and skiing and hiking trails. Special permit uses may include sanatoria, education facilities and places of worship. Large areas of this zone are included in the water protection overlay zone. Any development located within this zone is subject to special review to satisfy the requirements of that zone.

ÑÕ Agricultural Zone: The CX Agricultural Zone is intended to provide a location for the unencumbered practice of all types of productive agriculture and to encourage agricultural enterprises. Large parcel sizes should be preserved to allow for the economic functioning of large-scale intensive agriculture. Principal uses permitted by right include the practice of agriculture, agricultural storage and repair shops, low density residences and business offices of agricultural enterprises. Special permit uses may include, dachas and kitchen gardens, places of worship, and educational facilities. Accessory uses necessary to principal and special permit uses are include retail stores and parking.

4. The Concept of Permitted Uses and Development Standards

An important part of the zoning regulations is the uses permitted in each zone. In the Novgorod City ordinance, and almost all other zoning regulations, list uses by the type of approval needed. These include principal permitted uses, special permit uses and accessory uses. . The distinction between these uses is very important.

- "Principal Permitted Uses" indicate those primary uses for which the zone was intended. They are the uses which are legally permitted without any conditions because they have no negative impacts within the zone in which they are located.
- "Special Permit Uses" are those which may have a negative impact on surrounding properties but may be permitted under specific conditions. A special permit review procedure that includes a public hearing should be established in the regulations. Specific conditions by which the use may be permitted may be established in the ordinance.
- "Accessory Uses" are secondary uses which are allowed only in conjunction with a principal or special permit use. They do not require special approval.

Uses not included on the list of uses are not allowed in the zone.

Increasingly, municipalities have found a detailed listing of uses as found in the Novgorod City ordinance cumbersome and not inclusive of new types of uses which may appear from time to

time. Therefore a more generalized categorization of uses based on the nature of impacts is becoming more popular. The uses are often laid out in a matrix, rather than a list.

Site development standards are also established for each zone. These standards regulate the size of each lot for each permitted use. This lot size regulation, in combination with the number of residences allowed per hectare, or the amount of commercial or industrial square meters, has the effect of creating the density of development for each zone. Other development standards govern urban design characteristics, such as the setback from red lines or rights-of-way, building height, open space around buildings, etc. These site development standards have not yet been incorporated in the Novgorod City ordinance.

5. Non-conforming Uses

When zoning is established in an area where there is existing development, certain land uses within the zone may not match the new regulations. These are called non-conforming uses and the regulations should account for their existence. As a rule, non conforming uses are allowed to continue to exist, but they may not expand the degree to which there is non-conformance. For example, a retail store may be operating in the ground floor of a residential building. If the new zoning does not allow retail uses, then the store may continue to operate, but cannot get any larger. Sometimes a non-conforming use may be fully or partially destroyed. The regulations need to account for the replacement of the use under certain conditions.

In cases where a non-conforming use is undesirable, the regulations may stipulate a procedure for phasing them out over time. Usually a specific time period, one to five years, is given within which the use must be discontinued. This procedure gives the owner enough time to relocate the business or phase out operations.

6. Variances

In some cases a developer may find it impossible to comply fully with the land use regulations due to physical peculiarities of the allocated land parcel. In these cases variances, or exceptions, to the regulations should be allowed in order to preserve the value of the land. Procedures should be included in the regulations which give criteria for allowing variances. Typical criteria include:

- demonstration that the variance requested is the minimal necessary to develop the property
- that there is no negative impact to the raion or to neighboring properties, and
- that, if granted, the use would conform to the intent of the zone.

In Novgorodskii Raion procedures may be established to permit variances after review by the land resources committee or the commission established to administer the regulations.

7. Administrative Procedures

a. Accessibility of Regulations

In order to be effective, the land use regulations must be available to developers, landowners, administrators and citizens who participate in land use decisions. The regulations and zoning map should be published and made available in public places.

b. Administrative Body

The zoning regulations should designate the administrative body which is responsible for approving land use permits. Some cities have established a special land use and development commission for this purpose. In Novgorodskii Raion, the Land Committee is responsible for

coordinating the review of proposals to use land in the raion. The review of proposals is done by a "Site Selection Committee" composed of representatives of the major agencies of raion government involved in land use matters. Members of this committee include representatives of the raion administration, the architecture department, the land department, the nature protection department, the sanitary epidemiological center, state fire defense control, as well as the current and proposed user of the land.

With zoning, this committee may be reconstituted as the Land Use and Development Commission. The chairman of the new commission may be the First Deputy of the Administration as it is currently. The commission should hold regular meetings to consider land use applications. All meetings of the commission should be open to the public and media. The commission should be authorized to act on applications for special permit uses, variances and amendments or changes to the zoning. The commission should also hold public hearings of each of these applications as required by the ordinance.

c. Procedures for Granting Zoning and Construction Permit

A summary of our understanding of the current procedure for the "right to use the land parcel" is outlined below. For most uses this is a three step process involving initial review and approval in concept, revision of the documentation and a second approval of plan details. The procedure is founded in the municipal ownership of land and applies to applicants who wish to lease, rent or own land for use in a specific development.

Novgorodskii Raion Current Land Use Review Procedure

Step 1. Applicant confers with staff of Land Resources Committee to determine application requirements

Applicant submits application to the head of the raion administration. Application is clocked in and given number. Application is transmitted to Land Resources Committee for preliminary review by "site selection committee."

Step 2. Site selection committee reviews application and decides on preliminary approval. Minor applications may be approved at this stage.

If granted preliminary approval, the applicant may prepare an "design survey" and a "working project."

Step 3. Applicant submits a second application to the head of raion administration including the "working project." This application is retransmitted to the Land Resources Committee and the site selection committee.

If the site selection committee approves the application, the head of the raion administration issues the land use certificate "on the right to use the land parcel."

With zoning, the vast majority of land uses are considered as-of-right. That is, if the proposed development conforms to the zoning requirements in all respects, the right to develop principal permitted uses is already vested in land ownership. Wherein under municipal land ownership the right to develop would be vested in the individual to which the municipality grants the use of the land whether by lease, rent or sale. Under zoning, clarification of land tenure is a prerequisite to approval of the development.

As-of-Right Approval for Principal Permitted Uses

If land tenure is clarified, no special approval process is necessary for most principal permitted uses. All that is needed is a simple check to make sure that the proposed development satisfies completely the zoning requirements. This may be done in the initial stages of the development process at the time of submittal of the application.

Special Permit Uses

Because special permit uses may have a negative impact on the land or adjoining property, a special review is necessary. This approval may be given by the land use and development commission, and specific criteria for approval of these applications should be established firmly in the regulations. A three step process is generally necessary which involves a preliminary conference, preliminary approval and final approval. A public hearing is also necessary so that adjacent landowners and other interested parties have the opportunity to inform the commission of their concerns. Under all circumstances, if the proposal satisfies all criteria established by the commission, it must be approved. This process is outlined as follows:

<p style="text-align: center;">Novgorodskii Raion Proposed General Procedure for Special Permits</p> <p>Step 1. Applicant confers with staff of the Land Use and Development Commission about special permit application requirements and approval criteria.</p> <p>Applicant submits complete special permit application to the Land Use and Development Commission, which clocks in the application and initiates review. The application should include:</p> <ul style="list-style-type: none">• a site plan indicating adjoining parcels and the zone in which the development is located• drawings and information about the proposed development• pertinent information about potential impacts of the development <p>Step 2. Land Use and Development Commission publicizes and holds a public hearing concerning the application.</p> <p>Step 3. Land Use and Development Commission deliberates on preliminary application and either approves or disapproves with reasons.</p> <p>In its deliberations the commission should consider the following:</p> <ul style="list-style-type: none">• if the use conforms to the raion development plan• if historic resources are protected• if the environment is damaged• if there is an encumbrance of adjoining properties or land owners• if there is little negative reaction at the public hearing

Zoning Text and Zoning Map Amendments

Changes, or amendments, to the zoning text and zoning map are frequently necessary to accommodate new conditions, changes in development policy or a new development plan. Amendments may be introduced by the chief architect, other governmental agencies, land

owners or concerned citizens and are effective after the amendment procedure has been completed. The amendment procedure should include the following steps:

- a draft amendment is submitted to the land use and development commission;
- the land use and development commission studies possible consequences that may be caused by this amendment and submits its recommendations on the amendment to the raion administration;
- the head of the administration and municipal assembly conduct public hearings and then approve or reject the amendment.

d. Procedures for Granting Land Tenure

As mentioned before, clarification of land tenure is a key element in determining the vested development rights under zoning. Therefore, the type of land tenure granted to the developer needs to be determined before the development process begins - whether it is long-term lease or ownership.

e. Water Protection Zone

The water protection zone is established according to oblast and federation regulations. These regulations restrict certain uses which would have a contaminating affect on Lake Ilmen and the Volkov River and its tributaries. While the zone does not eliminate all development possibilities in this zone, some restrictions may apply. For small developments the site selection committee includes representation of the water resources committee to comment on applications. Larger proposals which may impact the zone significantly may require oblast or federal approval.

Model water protection regulations have been drafted for Novgorod within an Environmental Protection and Land Use Regulation Manual prepared by a USAID project in February 1998. These regulations are based on the federal water protection law and were designed for Novgorod Velikii and Novgorod Raion. It is important that these regulations be integrated with the zoning regulations. The zoning map should include a line marking the water protection zone. Proposed developments within this demarcation should be immediately sent to water protection agency for review according to the model regulations. If the development is approved by the water protection agency, then it may be referred to the land use and development commission for zoning approval.

8. Next Steps

Over the next few months the Town Planning Fund and Novgordzempredpriatie will be working with you to refine this work and prepare zoning regulations and a zoning map that can be approved by the Raion Duma. Very careful consideration should be given to the development policies of the raion to make sure they are reflected in the land use development plan. It is critical that the raion clarify the form of future development and specific locations where public and private investment should occur. A correct land use plan, which represents a vision for the raion area, is a prerequisite to establishing the zoning regulations.

The zoning map should reflect a certain balance between the reality of existing uses and the long-term vision presented in the development plan. The draft zoning map should be revised and reviewed by raion officials. Both the zoning map and the new zoning ordinance will need to be approved by the Raion Duma before it can be put into effect.

Key to effective planning for the raion is current and accurate data concerning land use and development. The effective development of land market projections and a system for land valuation requires ongoing monitoring of property transactions , with information about location cost and vital property data. Without these projections it is impossible to determine how much land should be available for any given use, especially for residential and industrial uses. This information has a direct bearing on the size and location, and the characteristics of each zone.

Furthermore, once the raion resolves policy issues with regard to the type, pace and location of future growth, investment areas should be determined. Investment areas are specific locations where the raion seeks to attract and retain economic development activities. In order to effectively market these areas, either through sale or long-term lease, the raion needs to collect specific information about each site, particularly about its opportunities and constraints. Based on this information the raion can determine the amount of public and private investment, and the costs to the community, needed to attract new companies to these sites. Much of this information is already available, such as location and capacity of utilities, current use, geographic characteristics, current tenure and availability. The information needs to be collected and made available to potential investors in a coherent fashion.

If the raion is to be proactive concerning future employment and housing, tax base and efficient use of land resources it needs to effectively plan for its future.

II. Legal Framework in Oblast and City

D. Resolution of City Duma authorizing the land auction and proposing amendments to Oblast Law "On Allocation of Land Plots..."

Russian Federation
Novgorod City Duma

RESOLUTION

On Regulation of Land Relations

In compliance with RF Law "On Local self-government in the Russian Federation", RF Law "On General Principles of Establishing Local Government in the Russian Federation", Oblast Law "On Procedures for Allocation and Withdrawal of Land Plots in Novgorod Region" and pursuant to RF President Decree # 1263 as of 11/26/97 "On Sale to Individuals and Legal Entities of Land Plots Subject to Development and Located on Urban and Rural Settlements Territory, or Sale of Rights to Lease Them", RF Government Resolution #2 as of 01/05/98 "On Approval of Procedures for Arranging Tenders (Auctions, Competitions) for Sale to Individuals and Legal Entities of Land Plots Subject to Development and Located on Urban and Rural Settlements Territory, or for Sale of Rights to Lease Them" Novgorod City Duma

HAS RULED

1. To approve the attached documents including:

1.1. Regulations *On Procedures for Land Plots Management and Disposal in Novgorod City* (Attachment 1);

1.2. *Procedures for Arranging Tenders (Auctions, Competitions) for Sale to Individuals and Legal Entities of Land Plots Located on Territory of Novgorod City, or for Sale of Rights to Lease Them* (Attachment 2).

2. To establish that land plots shall be allocated

2.1. At price:

2.1.1. Set at sales staged in the form of an auction, or competition;

2.1.2. set off sales - when they are allocated to citizens eligible, in accordance with federal legislation, to purchase land plots at reduced rates if this right is certified by a proper document. In this case a land plot shall be sold at a price not less than five times rate of land tax per unit of a land plot which may be increased by a sum spent on developing engineering and social infrastructure of the area where concerned land plot is located.

2.2. Free of charge when plots are allocated:

2.2.1. for maintenance of residential buildings which are in private, or common ownership;

2.2.2. for construction of buildings, structures and facilities required to satisfy city's needs, or cultural and social needs of its population;

2.2.3. for orchards and vegetables growing;

2.2.4. for individual residential construction to citizens eligible in accordance with the federal legislation to obtain land plots free of charge if this right is certified by a proper document.

3. Land plots shall be allocated to citizens eligible to purchase them at reduced price, or free of charge on the following conditions:

- 3.1. if those citizens reside in Novgorod for at least 5 years;
- 3.2. if they live in housing with floor space per a household member less than established standards allowing to register a household as needy to improve living conditions, or they live in communal apartments, hostels.
4. The said groups of citizens may be denied to purchase land plots on favorable terms on the following grounds:
 - 4.1. failure to present documents certifying their right to privileges;
 - 4.2. prior allocation of a land plot for construction, or maintenance of a residential building;
 - 4.3. citizen's alienation of a land plot previously allocated on favorable terms for individual housing construction;
 - 4.4. prior allocation on favorable terms of residential premises (apartment) as an improvement of living conditions;
 - 4.5. citizen's alienation of residential premises (apartment) previously allocated on favorable terms as an improvement of living conditions.
5. Regulations *On Procedures of Allocation of Land Plots to Citizens Eligible to Purchase Them on Favorable Terms* shall be approved by City Administration.
6. To reserve in settlements Pletniha, Derevenitsy designated for individual development as well as in Pskovsky residential district lands for mass development for their further allocation to citizens eligible to privileges.

To provide to City Administration the right to adjust the number of plots to be allocated on favorable terms within the whole volume of reserved lands in accordance with a yearly demand for them
7. To amend decision of the 55th session of the Novgorod City Soviet of People's Deputies of the 21 convocation as of 12/09/92 (Small Soviet) by revising Regulations *On Allocation of Land Plots for Individual Housing Construction to Individuals, Enterprises, Organizations, Companies* which shall now read in accordance with the attached version (Attachment 3).
8. To declare as null and void decision of the 35th session of the Novgorod City Soviet of People's Deputies of the 21 convocation as of 02/26/92; items 1 and 3 of the 55th session of the Novgorod City Soviet of People's Deputies of the 21 convocation (Small Soviet) as of 12/09/92.
9. To submit to Oblast Duma for consideration a draft oblast law "On Introducing Amendments and Changes into Oblast Law "On Procedures of Allocation and Withdrawal of Land Plots in Novgorod Oblast" (Attachment 4) and authorize Deputy Chairman of the City Duma I.I.Kibina to present a report on the said draft on part of Novgorod City Duma.
10. To promulgate this decision in the "Novgorod" newspaper.

II. Legal Framework in Oblast and City

E. Legislative Proposal to Re-codify Novgorod Oblast Land Laws

PROPOSED REVISIONS TO DRAFT NOVGOROD OBLAST ORDINANCE "ON REGULATION OF LAND RELATIONS WITHIN THE TERRITORY OF THE NOVGOROD OBLAST"

PREPARED BY:

**THE URBAN INSTITUTE
and
THE RURAL DEVELOPMENT INSTITUTE**

Chapter I. General Provisions

Article 1. Land Legislation

1. Pursuant to the RF Constitution the land legislation falls within jurisdiction of the Russian Federation and subjects of the Russian Federation.

Land legislation of Novgorod Oblast incorporates the Land Codex of the Russian Federation, the Civil Code of the Russian Federation, and consistent with them legal acts and regulations of the federal government, Novgorod Oblast and local self-governments, including this Ordinance.

Article 2. Powers of Novgorod Oblast public authorities¹. Pursuant to Novgorod Oblast Charter (Fundamental Law), Oblast Duma is authorized to establish, in conformity with the RF legislation, procedures for possession, use and disposal of land, and, in particular, to pass the land legislation which does not fall within jurisdiction of the Russian Federation.

2. Pursuant to Novgorod Oblast Charter (Fundamental Law), the Oblast Administration is authorized:

- 1) to dispose and manage the state property of Novgorod Oblast;
- 2) to manage lands under Novgorod Oblast jurisdiction;
- 3) to exercise control over the use and conservation of lands;
- 4)
- 5) to identify, jointly with local self-governments, areas where the special legal regime of land use is in effect;
- 6) to set the minimum and maximum size of land plots allocated for purposes specified in Article 24 of this Ordinance;
- 7) to set procedures of payment for land pursuant to the federal legislation;
- 8) to manage and dispose of Novgorod Oblast lands, to break them up by natural and agricultural properties, to zone and plan the use of them;
- 9) to approve and modify boundaries of administrative, territorial and municipal formations, as well as to approve and review Master Plans and plans of settlements' boundaries;
- 10) to design and implement Oblast Programs on upgrading soil fertility, better use and conservation of lands; to set procedures for finance of Programs out of proceeds of the Oblast budget, and patterns for public control over the use and conservation of

lands;

- 11) to establish procedures for transferring lands from one category of targeted purpose to another, except lands of federal significance, as well as to transfer lands from one category of targeted purpose to another;
- 12) to organize work on the State Land Cadastre keeping, land management, monitoring of lands, state registration of land titles;
- 13) to set procedures for maintaining additional Land Cadastre documents with allowance made for local conditions;
- 14) to buy out private and municipal lands for Novgorod Oblast needs;
- 15) to execute other powers provided by the federal and Oblast legislation.

Article 3. Powers of local self-governments to regulate land relations

1. Local self-governments are empowered to regulate land relations within the following limits:

- 1) to determine long-term perspectives of municipal development, to plan use of territories, to zone lands, to design and approve Master Plans of municipalities in coordination with Novgorod Oblast public authorities;
- 2) to set procedures for allocation, use and withdrawal of municipal lands, and to establish restrictions, encumbrances, servitudes on them;
- 3) to manage and dispose of municipal lands;
- 4) to set rates of payments for municipal lands, to allow to pay for lands at reduced rates in conformity with the federal and Oblast legislation;
- 5) to transfer municipal lands from one category of targeted purpose to another, except agricultural lands and areas with special conservation regime;
- 6) to develop and implement programs on improvement of soil fertility, better use and conservation of lands;
- 7) to set the limiting size and number of land plots allocated for purposes specified in Items 3-6, Article 24 of this Ordinance;
- 8) to buy out lands for municipal needs, to sell land and rights to land;
- 9) to identify land parcels which local self-governments may buy by right of priority;
- 10) to organize allocation of lands for development, haying, pasturing, gardening and other needs of population;
- 11) to organize work on the State Land Cadastre keeping, land management, land inventory, and state registration of land titles;
- 12) to make land use procedures known to population;
- 13) to impose penalties on citizens and legal entities guilty in violation of the land legislation and land ordinances issued by local self-governments, except the instances when law prohibits to impose a relevant penalty, or requires to impose it in quite another procedure;
- 14) to exercise control over the use of municipal lands;
- 15) to execute other powers with regard to regulation of land relations treated as such by a municipality Charter in accordance with the RF and Novgorod Oblast legislation.

2. Powers specified in Item 1 of this Article shall be separated between representative and other bodies of local self-government in accordance with Oblast Ordinance "On Local self-

government in Novgorod Oblast", federal and other Oblast Ordinances, Charters of municipalities.

Article 4. Land Relations

1. Relations between federal authorities, local self-governments, legal entities and individuals with regard to possession, use and disposal of lands, as well as public management of land resources are defined as land relations.

Regulation of land relations is based on:

- 1) formulating land use regulation to address its various characterizations, including land as a natural resource, as an object of civil rights, and as a major means of production (agricultural land);
 - 2) a diversity in the forms of land ownership, possession and use;
 - 3) delegation of primary responsibility to oblast authorities and local self-governments in the area of regulation of land relations within their territories;
 - 4) recognition of equality of all participants of land relations as far as protection of their rights in land is concerned;
 - 5) impossibility for public authorities to intervene, at variance with the law, in citizens', or legal entities' execution of rights to possess, use and dispose of lands;
 - 6) the right of public authorities to regulate the use of land to prevent harm to the environment or to the rights of others, without regard to the identity of the possessor, the legal form of possession, or what rights to it are exercised.
2. Parties involved in land relations include: the Russian Federation, Novgorod oblast, municipalities, citizens and legal entities.
3. Foreign citizens, expatriates and foreign legal entities may be involved in land relations on conditions specified by Article 9 of this Ordinance.
4. Land plots and rights to them are deemed to be the objects of land relations.

Article 5. Land Plot

1. A land plot is a part of the surface layer with established boundaries, and fixed area, location, legal regime and other properties recorded in the State Land Cadastre and registered in the State Registry of Real Estate Rights and Transactions.
2. Boundaries of a land plot shall be marked on maps and delineated on-site in accordance with the Russian Federation laws and regulations pertaining to land survey and land cadastre. The area of a land plot shall be determined upon on-site establishing of its boundaries.
3. Legal regime of a land plot is determined on the basis of its targeted purpose and registered, in accordance with the established procedures, rights to it in the State Registry of Real Estate Rights and Transactions.
4. Land plots and rights to them, as well as objects firmly connected with land (soil, enclosed water reservoirs, forest, perennials, buildings, constructions, structures, etc.) which cannot be removed without serious damage to them, shall be transferred in their integrity, unless otherwise provided by the effective legislation. Nothing in this item is intended to prevent creation or reservation of servitudes, encumbrances or contractual rights to exploit natural resources firmly connected to land by either purchasers or sellers of land.

Article 6. Composition of Oblast lands; targeted purpose of lands.

1. By targeted purpose Oblast lands may be broken down as follows:

- 1) agricultural lands;
- 2) lands of settlements;
- 3) lands used for industrial, transportation, communication, radio and TV broadcasting, data retrieval and processing, space operations, power supply, defense and other purposes;
- 4) lands with special regime of nature conservation;
- 5) forest lands;
- 6) water supply lands;
- 7) land reserves.

2. Lands classified in accordance with the scheme in Item 1 of this Article shall be used in compliance with their targeted purpose and legal regime established for their targeted purpose.

Article 7. Targeted Purpose and Legal Regime of Land Use.

1. The targeted purpose determines the legally established procedures, terms, and limits of employment (use) of all lands in the targeted purpose category.

2. A legal regime is established for each category of targeted purpose. The legal regime of land includes federal, oblast and municipal laws and regulations on land use, circulation conservation, inventory and monitoring, including without limitation laws and regulations on land conservation, town planning and zoning, forest, water, environmental, mineral resources legislation. The legal regime associated with a targeted purpose applies to all the lands of a specific targeted purpose category.

3. Lands included in prime categories of targeted purpose described in item 1 of article 6 of this ordinance may be divided into sub-categories through application of laws of planning and zoning. Lands of sub-categories within a targeted purpose may be subject to different legal regimes.

4. If lands fall into several categories of targeted purpose, all rules and restrictions set for them shall be observed.

5. In case the legal regime of the use of a land plot is in dispute, the preference shall be made to the more strict legal regime.

6. The legal regime for the prime categories of targeted purpose of lands described in item 1 of article 6 of this ordinance are set by federal laws and oblast ordinances, and shall be indicated in the town planning and land management documentation. Through their powers to manage lands provided in this ordinance, and the effective Russian Federation and oblast laws municipalities may elaborate the legal regime of municipal lands through adoption of rules and regulations which do not contradict the legal regimes of categories of targeted purposes as established by federal laws and oblast ordinances.

Chapter II. Citizens' and Legal Entities' Rights to Land Parcels

Article 8. Citizens' and Legal Entities' Ownership and Other Rights to Land

1. Subject to the provisions of this Ordinance citizens and legal entities of the Russian Federation may possess land parcels within the Oblast territory by right of

- 1) ownership;
- 2) permanent/perpetual use;
- 3) fixed term use;
- 4) lease.

2. Subject to the provisions of this Ordinance, citizens of the Russian Federation may possess land parcels within the Oblast territory also by right of inheritable possession for life.

Article 9. Rights of Foreigners, Stateless Persons, Foreign Legal Entities to Land Parcels

1. Pursuant to Article 62 of the RF Constitution foreigners, stateless persons and foreign legal entities shall, within the Oblast territory, exercise all rights and obligations to land parcels on equal terms with citizens of the Russian Federation, except the instances specified by the federal legislation and international treaties signed by the Russian Federation.

2. Agricultural lands shall not be transferred to the ownership of foreigners, stateless persons and foreign legal entities, as well as to Russian legal entities if the property of Russian legal entities is under control of foreigners, stateless persons, or foreign legal entities.

3. Foreigners, stateless persons, or foreign legal entities may acquire the ownership rights to agricultural lands only in succession to Russian citizens. Within two years of the legal date of succession the heir(s) or legal successor(s) shall alienate agricultural land parcels in their possession back to the ownership of the state or local administration which would be entitled to ownership of the land under the laws of abandoned property, and the state or local administration shall provide the heir(s) or legal successor(s) with:

- 1) compensation for withdrawal of the right of ownership for state or municipal needs, in accordance with the provisions of this ordinance; and
- 2) a lease to the land for the maximum term permitted by law.

In case of a failure to meet the requirements of this Item, a local administration shall bring an action to court claiming to alienate a land plot by enforcement with immediate execution of the lease right to it.

Article 10. Ownership right to land

1. Citizens' and legal entities' ownership right to land plot shall be deemed the right to possess, use and dispose of land parcel with mandatory observance of the legal regime of the land plot.

2. Citizens' and legal entities' ownership rights to land plots arise through any legal means contemplated in the Russian Federation Civil Code, including privatization of state and municipal lands, succession, sale, donation, exchange, and other land transactions; they may also arise if a land plot or a land share is contributed to the authorized (stock) capital of a legal entity.

Article 11. Inherited life possession of land

1. Inheritable life possession of land is the right to possess and use a land plot during the life of the possessor, and to transfer such land by inheritance. The legal attributes of inheritable life possession of land are as defined in articles 265 through 267 of the Civil Code of the Russian Federation [and article [49] of the Land Code of the Russian Federation], as such may be amended from time to time.

2. After the effective date of this ordinance no new rights of inheritable life possession of land

may be created in the Novgorod oblast. Rights of inheritable life possession of land legally in existence on the effective date of this law shall continue in effect with respect to the current possessor of the right and his heirs.

3. Any holder of a right of inheritable lifetime possession of land shall have the right to demand that the local administration convert the right into a right of ownership or lease in the established procedure.

4. Nothing in this article is intended to prevent the creation of a right to possess and use a land plot during the life of a designated person, to the extent permitted under the laws governing inheritance and other civil legislation of the Russian Federation. Article 12. Lease of a land plot

1. The lease right to a land plot is the right to use it within a fixed period of time for pay in full consistency with a lease agreement. The legal attributes of lease of a land plot are defined in section 1 of chapter 34 of the Russian Federation Civil Code [and article [50] of the Russian Federation Land Code], as such may be amended from time to time.

2. Citizens and legal entities to whom land parcels are leased by Oblast, or local administrations may, with prior written notice to the Oblast or local administration, lease them out, transfer for a fixed term use, exchange, assign or voluntarily surrender their lease rights unless specifically prohibited by the lease agreement. The Oblast or local administration will not accept a voluntary surrender of any lease which has been subleased or transferred for a fixed term without the written consent of the sublease or transferee.

3. The right to lease a state, or municipally-owned land plot may be sold through auctions.

Article 13. Right to use a land plot

1. The right to use a land plot shall be deemed the right to possess and use a land plot which belongs to the state, or a municipality by right of ownership. Rights of use may be granted with an indefinite term (permanently) or for a fixed term. The legal attributes of the right of permanent use of a land plot are defined in articles 268 through 270 of the Russian Federation Civil Code [and article [51] of the Russian Federation Land Code], as such may be amended from time to time. The right of fixed term use is defined in article [] of the Russian Federation Land Code.

2. After the effective date of this ordinance no new rights of use of land may be granted in the Novgorod oblast except to budgetary organizations, unitary enterprises and institutions engaged in administrative, socio-cultural, educational, artistic or other functions of a non-commercial character.

3. Rights of use of land legally in existence on the effective date of this law shall continue in effect with respect to the current possessor of the right and his legal successors.

4. Any holder of a right of permanent use of land on the effective date of this ordinance, other than budgetary organizations, unitary enterprises and the aforementioned institutions, shall have the right to demand that the local administration convert the right into a right of ownership or lease in the established procedure. Any holder of a right of use for a fixed term on the effective date of this law, other than budgetary organizations, unitary enterprises and the aforementioned institutions, shall have the right to demand that the local administration convert his right to a lease for the remaining term.

5. A land plot shall be transferred for use free of charge.

6. Citizens and legal entities, who have land parcels allocated to them by Oblast, or local administrations for permanent (perpetual) use, may, with prior written notice to the Oblast or local administration, lease out the land plots, transfer them for a fixed term use, assign,

exchange, or voluntarily surrender their rights unless specifically prohibited by agreement. The Oblast or local administration will not accept a voluntary surrender of any right of perpetual use which has been subleased or transferred for a fixed term without the written consent of the sublessee or transferee.

7. Citizens and legal entities, who have land parcels allocated to them by Oblast, or local administration for a fixed term use, may, with the consent of the latter, exchange the land plots, or voluntarily abandon them.

Article 14. Common ownership to a land plot

1. A land plot located within a territory of Novgorod oblast, or a right (lease, permanent use, inheritable lifetime possession) to a land plot located within the territory of Novgorod oblast, which has two or more owners, shall be deemed to be in common ownership.

2. A land plot or right to a land plot may be in common ownership with the determination of the participatory share (participatory share ownership) or without the determination of such participatory shares (joint ownership)

3. The possession, use and disposition of land plots or rights to land plots located on the territory of the Novgorod Oblast and held in common ownership are governed by Chapter 16 of the Civil Code of the Russian Federation.

Article 15. Encumbrances of a land plot

1. A land plot transferred from the state or municipal stock of lands into the ownership of a citizen or legal entity, or acquired by a citizen or legal entity into ownership by any other legal means, may be subject to covenants or restrictions ("encumbrances") which oblige the owner to do or to refrain from doing a specified action on or with respect to the land, including without limitation the following:

- 1) a prohibition to sell a land plot, or alienate it by any other way within a fixed period of time;
- 3) a preference to buy a land plot at declared price when it is offered for sale;
- 4) an obligation to share the proceeds of sale of land;
- 5) a permit to assign a land plot by right of succession only to specific successors (in case of agricultural lands);
- 6) a requirement to commence and complete the development, or cultivation of a land plot within a fixed period of time in accordance with the project approved under the established procedure;
- 7) a prohibition to modify the exterior of a real property, to renovate, or demolish a building, a construction, or a structure without an approval to be obtained in the established procedure;
- 8) a condition to construct, repair, or maintain a road, or a segment of a road;
- 9) an obligation to contribute money to the maintenance of common facilities;
- 10) a prohibition from specified types of activities, or behavior;
- 11) a prohibition against construction of buildings or structures in certain locations or in excess of specified size or height;
- 12) a condition to meet environmental requirements, or perform specific works, including those contributing to wild animals protection, soil, rare plants and nature conservation, historic, cultural and archeological preservation within the territory of a

land plot;

13) a condition to conserve the natural environment and migration routes of wild animals;

14) a right of way, right of access or right to use land for limited purposes granted to a particular person or class of persons (including the public at large) without regard to possession of another land plot;

15) other obligations, restrictions, or requirements.

2. Land plots may be encumbered only by virtue of law, an agreement, or a court ruling.

3. Encumbrance may be established for a fixed or perpetual term. In the absence of statement of a fixed term, it is presumed that the encumbrance is perpetual.

4. Encumbrance may be established for the benefit of a particular person, class of persons (including the public, generally) or designated land plot(s).

5. Encumbrances of a land plot shall be included in its legal regime, recorded by state registration authorities, and preserved in event of transfer of rights to a land plot to another person/entity. An encumbrance may be established in documents of conveyance of a land plot.

6. An encumbrance may be invalidated by a court of law upon request of the owner of the encumbered property if:

1) because of change of circumstances the encumbrance no longer serves the purpose for which it was established;

2) the encumbrance is frivolous or imposes significant restraints on the rights of possession, use and disposal without substantial purpose;

3) the encumbrance violates another law, or enforcement of the encumbrance would violate a clear public policy of the Russian Federation or the Novgorod Oblast.

7. An encumbrance is enforceable in a court of law by any person or persons for whose benefit it was established, or their legal successors or representatives. Encumbrance may be enforced in accordance with its terms, including by specific performance of the terms of the encumbrance or damages.

8. Holders of rights of inheritable possession, permanent use or lease of a land plot may place encumbrances on their right to the land plot to the extent permitted under the civil legislation. Encumbrances on rights of inheritable possession, permanent use or lease terminate upon termination of the right, if not terminated earlier under the terms of the encumbrance.

Article 16. Servitude of a land plot

1. Servitude of a land plot shall be deemed the right of limited use of a neighboring land plot, or several neighboring land plots. The legal attributes of servitude are defined in articles 274 through 276 of the Russian Federation Civil Code [and in article [55] of the Russian Federation Land Code], as such may be amended from time to time.

2. Servitudes may be established by land owners' agreement, by a court, or by prescriptive acquisition in accordance with article 234 of the Russian Federation Civil Code.

3. An owner of a land plot shall have the right to claim, if necessary in court as well, the establishment of a servitude for the purposes of servicing his/her land plot.

4. The servitudes which may be established include, without limitation, the following:

1) right of way;

2) right of use for lining and repairing public, or individual engineering, power supply

and other nets and communications;

- 3) servitude for draining a land plot;
- 4) servitude for water intake and water trough;
- 5) servitude for driving cattle;
- 6) servitude for mowing, or pasturing within time periods complying with local conditions and traditions;
- 7) right of temporary use for performance of survey, research and other works;
- 8) servitude for repair and construction purposes
- 9) servitude for constructing a building or a structure which will rest on or hang over a neighboring land plot;
- 10) servitude for constructing a building or a structure of a specific height on a neighboring land plot;
- 11) servitude for creation of protecting forest zones and other nature conserving facilities;
- 12) other servitudes.

5. Servitudes shall be established in the manner which will be the least troublesome for a subject land plot.

6. The owner of a servient land plot shall have the right to collect reasonable charges from those interested in the servitude establishment, unless otherwise provided by law. Servitudes established for farmers and their associations, shall be free.

7. Servitudes may be established with regard to any land plot for the benefit of any other land plot, and may be either temporary, or permanent.

8. Servitudes shall be subject to the state registration. Servitude may be established (reserved) in a document of conveyance of a land plot.

9. Servitudes shall be preserved in event of the transfer of a land plot to another person.

10. On request of the owner of a servient land plot, the servitude may be terminated in view of the grounds for which the servitude was established having disappeared. If in the result of establishing servitude, a land plot cannot be used in accordance with its targeted purpose, the owner shall have the right to claim its termination in court.

Article 17. Grounds for acquiring rights to a land plot

1. Citizens' and legal entities' rights to land plots, as well as their obligations with regard to the use of them may arise on the following grounds:

- 1) resolutions of state authorities and ordinances of local self-governments, agreements concluded with them;
- 2) agreements and other land transactions;
- 3) acquisitive prescription, except ownership rights to land plots allocated from the stock of state and municipal lands;
- 4) court judgments, or rulings establishing rights to a land plot;
- 5) other actions taken by citizens, or events which the law, or any other statutory act interprets as a ground for establishing rights to land plots and obligations with regard to the use of them.

Chapter III. Allocation of land plots from the stock of state and municipal lands

Article 18. Scope of the RF Government, Oblast Administration, local administrations' competence to allocate land plots from the stock of state and municipal lands

1. Within the Oblast territory citizens and legal entities may acquire land plots:
 - 1) from the stock of federal lands – on the ground of the RF Government resolution;
 - 2) from the stock of Oblast lands – on the ground of Oblast Administration ordinance;
 - 3) from the stock of municipal lands – on the ground of a decision issued by local authorities.
2. Land plots shall be provided through the withdrawal and allocation in line with the survey and town planning documentation, and under the procedure set by the RF Government, Oblast laws and regulations issued by local self-governments.
3. Conversion of forest lands into non-forest with the aim to use them for the purposes not connected with the forest science, or forest exploitation, and (or) withdrawal of forest lands shall be effected under the procedure set by the Government of the Russian Federation.

Article 19. General rules of allocation of land plots upon application of citizens and legal entities

1. Citizens and legal entities wishing to acquire land plots which are in the ownership (jurisdiction) of Oblast or municipal administration, may lodge an application to Oblast Administration, or to a respective local administration authorized to allocate land plots.

In applications they shall specify the purpose of use, the location and expected size of a land plot, a proposed form of legal possession, and provide information on the location, size, use and form of legal possession of any other land plot formerly or presently in the possession of the applicant.

Applications are deemed acceptable if the proposed use specified includes any use permitted under the legal regime applicable to the land plot.

Papers required for the withdrawal and allocation of lands under the jurisdiction and control of the Oblast shall be executed by the Novgorod Oblast Committee for Land Resources and Land Management, or its territorial offices, jointly with architecture and town planning authorities as well as other specially authorized bodies of state power controlling use and conservation of lands. Papers required for the withdrawal and allocation of lands under the jurisdiction and control of municipality shall be executed by the municipal committee for land resources and land management jointly with municipal architecture and town planning authorities as well as other specially authorized bodies of state power controlling use and conservation of lands.

2. If an application appeals for a specific land plot, a respective authorized body of executive power, or a local self-government shall identify the list of required approvals, ascertain the rights and benefits of other parties including the owners of neighboring land plots, examine the feasibility of the land use for the purpose stated in the application in view of the existing territorial scheme of land use and zoning plans, and in case of a positive decision – work out price and other contractual terms of the transfer (sale) of a land plot.

3. If an application appeals for a land plot, but fails to specify a specific place of its location, possible variants shall be suggested by the responsible authorities.

An application shall be processed until a land plot meeting the stated requirements is selected, or a commission authorized to allocate land plots comes to a conclusion that within the given territory there does not exist a land plot conforming to the specifications of the application. Determination of unavailability of an appropriate land plot does not prevent the applicant from modifying his application.

4. An applicant shall obtain approvals required for the allocation of a land plot on his/her own and at his/her expense.

5. An Oblast, or a local administration resolution permitting the transfer of a land plot to the ownership of an applicant shall serve as the ground for issuing a relevant land certificate, and in an instance of a lease of a land plot, or fixed term use – the ground for signing a relevant agreement.

6. Refusal to allocate a land plot shall be issued in the format of an Oblast, or a local administration resolution and shall provide the appropriate reasoning for the decision. Not later than seven days upon issuing a refusal a copy of it shall be handed over to an applicant.

7. Applications of citizens and legal entities appealing for land plots shall be processed within a two month period. Upon expiration of the two month period an applicant may request that a court compel a decision on the application.

The processing shall be considered started as soon as all documents required for a land plot allocation are submitted in a complete form in accordance with the requirements.

8. The procedure laid down by this Article shall not be applied when land plots are allocated to citizens and legal entities by way of implementing the RF Government Resolution # 2 as of 01/05/98 "On approving the procedure for organizing and holding public sales (auctions, competitions) on selling of land plots, located in urban and rural settlements, and of the right of their lease to private individuals and legal entities".

Article 20. Appeal against decisions on refusal to allocate a land plot

1. Citizens and legal entities may take an appeal against decisions of public authorities and local self-governments which refuse to allocate land plots to them. Delay in processing an application shall be interpreted as a refusal to allocate a land plot.

2. Upon hearing the case the court may either confirm the validity of a refusal to allocate a land plot, or state its unlawfulness. If a refusal is unlawful, a corresponding court judgment shall serve as the basis for registration of a right to a land plot and shall be executed in the procedure set by law.

Article 21. Transfer of land plots through auction and tender procedures

On their own initiative Oblast and municipal authorities may transfer land to citizens and legal entities through auction and tender procedures in compliance with the RF Government Resolution # 2 as of 01/05/98 "On approving the procedure for organizing and holding public sales (auctions, competitions) on selling of land plots, located in urban and rural settlements, and of the right of their lease to private individuals and legal entities," as such resolution may be modified or amended from time to time.

Article 22. Transfer of land plots through negotiated transactions at initiative of Oblast and municipal authorities

1. Oblast and municipal authorities may on their own initiative offer land for sale or lease to citizens and legal entities without using auction and tender procedures, subject to the provisions of this article.

2. No land leased or sold without using auction or tender procedures may be leased or sold at a price or rent lower than the fair market price or rent certified by an independent real estate broker or appraiser. The costs of appraisal may be charged to the recipient of the land plot.

3. At least 20 days prior to completing an agreement with respect to any land leased or sold without using auction or tender procedures the seller shall publish in the organ designated for publication of official acts a description of the land to be sold or leased, the recipient, the price or rent, the place at which additional information may be obtained regarding the transaction, and the place at which the public may submit comments on the proposed transaction. No transfer of land may be completed until 30 days following the date of such publication.

4. Upon completion of a transaction the final terms of the transaction shall be published in the same manner as the announcement of the pending transaction.

5. Oblast and local administration authorities may enter into brokerage agreements with independent real estate brokers for the sale of land plots.

Article 23. Prices of land plots

1. Land plots shall be allocated to the ownership or lease of commercial legal entities and private entrepreneurs for charge.

2. Land plots shall be allocated to the ownership or lease of citizens either for charge or free. Free allocation of land plots to citizens' ownership may take place if they are allocated:

- 1) for private housing construction, or farmer's personal subsidiary farming within the limits set by a local self-government;
- 2) for collective, or private gardening and stock-breeding – including land plots allocated before January 1, 1992, and plots newly allocated for that purposes from non-agricultural and deteriorated lands;
- 3) for gardening and construction cooperatives – including land plots allocated before January 1, 1992;
- 4) for other purposes set by the federal legislation, oblast ordinances and regulations issued by local self-governments.

3. Repeat free allocation of land plots to citizens for purposes indicated in Item 2 of this Article is not allowed.

4. Land plots may be allocated to the ownership of citizens and legal entities for charge in line with the Procedure for organizing and holding public sales (auctions, competitions) on selling of land plots, located in urban and rural settlements, and of the right of their lease to private individuals and legal entities, approved by RF Government Resolution #2 as of January 5, 1998.

5. Charges for land may be established:

- 1) in the case of auctions and tenders, by the prices or rents actually bid;
- 2) in all other cases, by independent appraisal performed by a licensed real estate broker or appraiser or an agency of the Oblast or local administration authorized by law to perform appraisal of land and real estate..

6. Charges for land plots allocated to commercial entities or private entrepreneurs may be reduced below appraised value in the discretion of the state or local administration if:

- 1) a reduction in price is considered necessary to attract business or industry to the locality in accordance with a program of economic development program adopted by the locality;
- 2) the lower charge is an offset or fees or charges imposed on the land developer for public facilities.

7. Payment for land may be deferred or arranged by installment payment in the discretion of the seller of the land plot.

Article 24. Land allocation standards

1. The maximum size of land plots the ownership of which is acquired by a peasant (farmer's) economy directly from the stock of Oblast or municipal lands shall be limited to 50 hectares. Land plots of the standard size established by rayon authorities for free allocation will be granted in the ownership of citizens who do not work at an agricultural enterprise, or a peasant (farmer's) economy, from the redistribution lands stock free of charge.

The ownership rights to the area in excess of the standard size shall be acquired for charge in accordance with article 23.

2. Citizens leaving an agricultural enterprise and establishing a peasant (farmer's) economy shall have the right to receive a land plot of the area determined proportionally to the number of land shares contributed in it.

3. The maximum size of a land plot the ownership of which is acquired by a citizen directly from the stock of Oblast or municipal lands for the purposes of collective, or individual gardening shall be limited to 0.15 hectares.

4. The maximum size of land plots the ownership of which is acquired directly from the stock of Oblast or municipal lands for the purposes of cattle breeding, private housing and summer cottages construction, personal subsidiary farming, shall be established by a relevant local self-government.

5. The maximum size of land plots allocated directly from the stock of Oblast or municipal lands for other purposes not forbidden by law shall be set in accordance with the established standards of allocating lands for that purposes, or in line with corresponding town planning and design documents.

6. The minimum size of land plots transferred to citizens' ownership shall not be less than the minimum legal size of a land plot under the applicable town planning regulations, and in the absence of applicable regulations:

- for gardening – 0.04 hectares;
- for summer cottage construction – 0.06 hectares;
- for private housing construction
 - in rural settlements - 0.06 hectares,
 - in cities - 0.04 hectares
- for personal subsidiary farming - 0.06 hectares

7. Successors may partition a land plot which they own by right of ownership, use, inheritable life possession with due account of municipal standards indicated in Item 7 of this Article. Partition of a land plot shall be effectuated by agreement of all the parties, or in court.

8. There is no restriction on the size of a land plot, or the aggregate size of land holdings (including land shares) which may be acquired by a citizen from sources other than the state or municipal land funds.

Article 25. Land plot development

1. Citizens and legal entities possessing land plots by right of ownership, inheritable life possession, permanent/ perpetual use, or taking them from the stock of the state and municipal lands on lease, shall have the right to erect, demolish, or rehabilitate acquired buildings, constructions and structures in full conformity with the town planning, housing, environmental and historic preservation legislation subject to the condition that all

encumbrances of a land plot are observed.

2. It is impermissible for oblast or municipal authorities to encumber a land parcel at the time of allocation with a use restriction other than those restrictions imposed by the targeted purpose legal regime of the land plot, town planning and zoning regulations, unless such restriction is imposed pursuant to an integrated program of economic or urban development adopted by the authorities and supported by evidence that the restriction is the optimal use of the land plot.

3. Land may be allocated from the oblast or municipal land stocks either with or without an encumbrance which requires the recipient to develop the land plot within a specified period of time.

4. Construction may be commenced only upon adjustment and approval of a construction project, and issuance of a building permit according to the set procedure.

Article 26. Land plots adjacent to multifamily buildings

1. Land plots adjacent to multifamily buildings which are exclusively in Oblast or municipal ownership shall be considered as belonging to Oblast or municipal authorities by right of ownership (transferred under the jurisdiction of Oblast Administration and relevant local administration).

2. Land plots adjacent to multifamily buildings in which one or more apartment units are privatized and for which a housing partnership has been established shall be deemed to be in the common shared ownership of the owners of the apartment units, which shall include the oblast or the municipality to the extent of its ownership interest in apartments. Shared common ownership interests shall be based on the interests expressed in the charter of the housing partnership, and in the absence of such expression on the formula for calculating shared common interests provided in the Russian Federation Law On Housing Partnerships (Condominium).

3. Allocation of land plots to owners of apartment units shall be carried out in accordance with the provisions of the Regulation of the Russian Federation Government On Establishing the Size and Boundaries of Condominium Land Plots,; September 26, 1997, other applicable federal and oblast laws.

Article 27. Allocation of land plots under power supply lines and in sanitary protective zones around industrial enterprises

1. It is forbidden to allocate land plots under power supply lines and in sanitary protective zones of industrial enterprises for formation of not-for profit associations of individual gardeners.

Land plots under power supply lines and in sanitary protective zones of industrial enterprises may be allocated only for gardening and hay making with the consent of the their owners.

2. Within the RF zone of forestlands it is allowed to extend land plots of previously formed not-for profit associations of individual gardeners located under power supply lines to the set limits at the expense of the adjacent forest lands with the purpose to lessen the hazardous impact of power supply lines on human health.

Article 28 Use of lands for survey purposes

1. Surveying enterprises, institutions and organizations shall have the right to perform their

works for public purposes on any lands irrespective of the target of their use by virtue of resolutions on conducting the surveying issued in the established procedure, and agreements concluded with an owner, possessor, user or leaseholder of a land plot. Land plots designated for surveying shall not be withdrawn.

2. Surveying enterprises, institutions and organizations shall have the right to perform their works for private purposes on land only upon agreement with the owner, lessee or user of the land, or upon order of court. Agreements shall specify the time of works performance, the rate of payments for the employment of land plots, liabilities to cover damages and rehabilitate the lands in line with their targeted use. If a dispute arises, it shall be settled in court.

3. Upon rehabilitation of lands in line with their targeted use, surveying enterprises, institutions and organizations shall commission them to their owners, possessors, users or leaseholders with simultaneous execution of an act of acceptance.

4. Rehabilitation of lands in line with their targeted use shall be performed alongside with the surveying, or within fixed terms set in an agreement.

5. If surveying enterprises, institutions and organizations have to perform works which require the erection of temporary constructions, placement and storage of equipment, machines and other facilities which may occupy a part or the whole land plot and restrict its use by an owner, possessor, user or leaseholder, the said enterprises, institutions and organizations shall pay a land tax or rent and fully cover the damages incurred by owners, possessors, users or leaseholders of land plots.

Article 29. Acquisition of state and municipal lands by possession prior to January 1, 1991

1. Citizens and legal entities who openly and uninterruptedly have possessed land plots for horticulture, cattle breeding, gardening, and construction of individual houses, summer cottages and garages from a time prior to January 1, 1991, but lack documentation or other legal formalization establishing their rights, shall have the right to acquire them into their ownership.

2. Persons meeting the requirements of item 1 of this article shall have a right to issuance of a certificate of ownership to the land plot in the established procedure upon submission to the Oblast or local administration of reasonable proof of open and uninterrupted possession of the land plot since a time prior to January 1, 1991. The oblast or local administration shall not reject any reasonable offer of evidence. Any dispute shall be resolved in a court of law.

3. Certificates of land ownership issued pursuant to this article are registered in the State Registry of real Estate Rights and Transactions in the established procedure.

4. If land plots are withdrawn for other designated purposes, persons who have the right to acquire them by virtue of this article shall be provided with another land plot, or reimbursed for their damages.

Article 30. Acquisition of land plots by prescriptive acquisition

1. Citizens and legal entities shall have a right to acquire the ownership of privately owned land plots, or portions thereof, which they openly and uninterruptedly possess for more than 15 years without documentation or other legal formalization of their right provided that the ownership of the given lands is not forbidden by law. Rights of prescriptive acquisition of privately owned land plots shall be governed by article 234 of the Russian Federation Civil Code.

2. Prescriptive acquisition of ownership rights to land plots in the state and municipal stock is not permitted.

3. The right of acquisitive prescription may be established by executive authorities, local self-governments, or in court.

Article 31. Mandatory state registration of rights to land plots

1. Rights of citizens, legal entities, state and municipal authorities to land plots, they shall be without fail subject to the state registration

in accordance with the procedures of state registration of real estate rights and transactions set forth by the Russian Federation Law On State Registration of Real Estate Rights and Transactions and the rules and regulations promulgated pursuant to that law.

2. Rights to a land plot shall arise in citizens and legal entities from the moment of the state registration of them.

Chapter IV. Rights and obligations of owners, possessors, users and leaseholders of land plots

Article 32. Rights of land owners

1. Within the Oblast territory owners of land plots shall have the right:

- 1) to perform economic management within a plot in compliance with its designated purpose;
- 2) to exploit for his/her own needs any universally distributed mineral resources available on the plot including peat, fresh underground water, as well as forest, plants and isolated water reservoirs;
- 3) to erect housing, production facilities, cultural amenities, any other buildings, constructions and structures; to modify or demolish them in compliance with the designated purpose of a land plot and design documents;
- 4) to perform irrigating, draining and other meliorating works and engineering improvements; to construct ponds and other water reservoirs in concord with the effective legislation, environmental, building, sanitary and other requirements (norms, standards and rules) upon their approval by respective executive authorities and local self-governments; to participate in land development subsidized out of respective budgets;
- 5) to exercise the right of ownership to agricultural crops, plants, fruits and produced income except the instances when a land plot is taken on lease;
- 6) to voluntarily abandon a land plot;
- 7) to sell, donate, pledge, lease out, transfer by succession, as well as to close any other land transactions unless they ceased to be negotiable, or are negotiable only to the limited extent;
- 8) to receive a compensation when land plots are withdrawn for state, or municipal purposes, which shall include the contractual price of a subject land plot, construction and development costs, opportunity cost, etc.
- 9) to perform any other activity not forbidden by law.

2. Participants in the right of common ownership or in any other joint right to a land plot subject to state registration shall differentiate their rights and obligations as well as set the procedure for a land plot use in an agreement concluded by all participants in the common ownership. In case of a failure to reach an agreement their disputes shall be settled in court.

Article 33. Rights of possessors, users and leaseholders of land plots

1. Possessors for life, users and leaseholders of land plots shall have all rights provided for owners of land plots which are identified in this Ordinance, Article 35, Item 1, Paragraph 1-6.
2. Possessors for life of land in the state or municipal stock shall have the right to transfer their rights by inheritance. Users and leaseholders of land plots in the state or municipal stock shall have the rights to transfer, sublease, pledge or otherwise dispose of their right to the extent provided in item 2 of article 12 and item 3 of article 13 of this ordinance.
3. In addition to rights identified in Item 1 of this Article, possessors for life, users and leaseholders of land plots in the state and municipal stock shall have the right to claim the reimbursement of his/her expenses associated with the development and improvement of land plots when the latter are withdrawn for state and municipal purposes. In addition, lessees or users of land in the state and municipal land stock shall have the right to claim for the value of the lease and use rights under the provisions of article 55 of this ordinance.
4. The rights of lessees of privately owned land to share in awards of compensation from state or municipal withdrawal of land are determined under the civil legislation and the terms of the lease agreement.

Article 34. Obligations of owners, possessors for life, users and leaseholders of land plots

1. Owners, possessors for life, and users of land plots shall bear the burden of maintenance of land plots and shall be liable for any violation of the land legislation.
2. Owners, possessors for life, and users of land plots shall be bound:
 - 1) not to violate rights of owners, possessors, users and leaseholders of neighboring land plots;
 - 2) to install and preserve survey, geodesic and other special marks on the territory of land plots;
 - 3) to comply with laws and regulations on land use and conservation, to meet the requirements on the use of forest, water and other natural objects, and to prevent environmental damage;
 - 4) to observe the established regimes of land use;
 - 5) to promptly commence the development of a land plot if the term for the land development is set by laws, regulations of local self-governments, or agreements;
 - 6) to pay land charges promptly;
 - 7) to perform construction, improvement and maintenance of buildings, constructions, structures located on a land plot in compliance with town planning, building, environmental, sanitary, fire safety and other effective requirements (norms, standards and rules);
 - 8) to furnish the required data on land use to public authorities and local self-governments promptly;
 - 9) to provide assistance to specially authorized executives of the public authorities when they exercise their powers to monitor the use and conservation of lands within the scope of their competence;

Other federal laws, Oblast ordinances and regulations of local self-governments may set forth other obligations for owners, possessors, users and leaseholders of land plots.

3. The obligations of lessees of land plots are determined by the terms of the legal agreement

creating their rights.

Article 35. Reservation of rights to a land plot in event of destruction of a building, construction, structure

1. When a building, a construction, a structure is destroyed by fire, natural calamities and other force major circumstances including the destruction due to their decrepit state, the possessor for life or user of land plot shall reserve their rights to a land plot with the understanding that within three years he/she will commence the restoration of a building, a construction, a structure. Executive authorities, or a local self-government shall have the right to prolong that time period, and in case of a dispute, it may be prolonged in court.
2. Destruction of a completed building, structure or construction on a privately owned land plot shall have no affect on the right of ownership of the land plot and the decision on reconstruction shall be in the discretion of the owner.
3. Obligations of a lessee of a land plot to reconstruct a building, construction or structure shall be determined by the terms of the lease agreement.
4. Nothing in this article is intended to modify the right of public authorities to order the demolition or alteration of buildings, structures or constructions, or the removal of debris and clearing of a land parcel, if necessary to protect the health and safety of the public or neighboring land parcels.

Article 36. Lands which cannot be transferred to the private ownership

1. It is not allowed to transfer to the private ownership the following land plots:
 - 1) those occupied by state and municipal housing stock exclusively;
 - 2) those not developed and designated for nature conservation, sanctuary maintenance, health improvement and recreation purposes;
 - 3) forest and water lands except land plots where isolated water reservoirs are located, since such plots belong to citizens or legal entities by right of ownership;
 - 4) health resorts and sanitation areas within the boundaries of sanitary protection zones (mountain sanitary zones);
 - 5) those allocated for state melioration, or hydraulic facilities;
 - 6) those of common use (squares, streets, roads, embankments, parks, gardens, beaches and other territories of common use);
 - 7) those where mineral resources, except universally distributed, are deposited and which are not recorded in the State Register;
 - 8) polluted areas including those exposed to biogenic pollution;
 - 9) those allocated to public and research institutions, educational establishments, pedigreed stock and seed growing farms;
 - 10) those allocated for cattle pasturing, driving and watering, as well as those occupied by roads, wells and springs of common use;
 - 11) riparian zones, land allocations for high roads, railroads, pipelines and other transportation lines, power supply lines, river harbors and stations, air terminals and air fields, navigation facilities, river ships repair shops, as well as allotments (reserved areas) for prospective development of the said kinds of transportation;
 - 12) disputable areas until settlement of the disputes;

13) closed settlements, placers of military and civil burials.

Federal and Oblast laws, as well as regulations issued by local self-governments may identify other land plots forbidden for the transfer to the private ownership.

2. Nothing in this article is intended to prevent change of the targeted purpose or legal regime of a land plot in the established procedure.

Article 37. General terms and conditions of privatization of land plots

1. Privatization of land plots means transfer of land plots in state or municipal ownership to the ownership of citizens and legal entities who possess such land plots by rights of use or lifetime inheritable possession, or who have met the requirements of article 34 of this Ordinance. Lessees of land plots owned by the state of municipality may privatize to the extent provided in the laws of the Russian Federation.

2. Land plots shall be privatized on request of citizens and legal entities in the procedure set by this Ordinance, Article 19. Privatization of land plots in connection with privatization of enterprises or other commercial facilities shall be subject to the provisions of Presidential Decree No. 1535 and the regulations of the Russian Federation and Oblast governments promulgated pursuant to that decree.

3. Land plots may be privatized subject to the provisions on size, price and development rights set forth in articles 23 through 25 of this Ordinance.

4. A land plot with the area exceeding the standard set for the free transfer of land to the ownership shall be purchased at a contractual price which shall not be lower than the standard price, or it shall be kept in permanent/perpetual use, or by right of inheritable life possession or on lease.

5. Land plots which belong to citizens and legal entities by right of permanent/perpetual use, right of inheritable life possession or on lease from the state or municipal land fund (until expiration of its term) cannot be privatized or purchased by another person.

6. The right of participatory share ownership to a land plot where a farmstead, a garden, a summer cottage, a garage is located shall arise only if a given farmstead, garden, summer cottage, or garage is in participatory share ownership.

7. Developed land plots shall be transferred to the ownership with account of their perspective designated purpose and in line with town planning documents.

8. Developed land plots designated for nature conservation, health improvement, recreation and historic preservation purposes shall be transferred on condition that a specific regime of their use is observed, unless otherwise provided by law. Such regime shall be established by encumbrance.

9. Non-developed lands designated for historic preservation shall be transferred to the ownership only upon approval of the transfer by the state historic preservation authorities after performance of a full archeological research and shall be transferred on condition that a specific regime of their use is observed, unless otherwise provided by law. Such regime shall be established by encumbrance.

10. The Russian Federation legislation shall regulate the procedure for issuing land privatization documents to citizens and legal entities.

Article 38. Acquisition of rights to a land plot in event of transfer of ownership right to a building, construction, or structure

1. When the ownership right to a building, construction, structure, or enterprise is transferred

the right to a land plot shall be also transferred to an acquirer on the same terms, in the same scope as the previous owner of a building, construction, structure, or enterprise had.

2. Sale of the ownership right to a building, construction, or structure which belong to the state, or a municipality entails the transfer of land plots on which they are located in the ownership of the purchaser, except that in cases where the law prohibits sale of land into ownership it shall be transferred into permanent/perpetual use, with respect to those entities eligible to receive rights of permanent use, and in all other cases on lease.

Article 39. Peculiarities of pledge of land plots

1. Land plots which belong to citizens, or legal entities by right of ownership, or on lease, may be mortgaged to secure loan obligations to banks, or other credit institutions.

2. Mortgage of a building, construction, structure, or enterprise located on land plots which belong to the owner of the building, construction, structure, or enterprise by right of inheritable life possession, or permanent/perpetual use, may provide for the mortgagee the right to reclaim land plots to the extent necessary for economic management of the mortgaged property.

3. Mortgage of municipal lands by local self-governments is permitted subject to local law. Mortgage of federal lands or lands owned by a subject of the Russian Federation is permitted subject to federal law or the law of the subject of the Federation, as the case may be.

4. If a portion of a land plot is mortgaged, boundaries of that portion shall be first designated.

5. Procedures and terms of mortgage of lands shall be regulated by the Federal Law On Mortgage.

Article 40. Land transactions

1. Land transactions shall be subject to the provisions of Chapter 30, Section 7 of the Russian Federation Civil Code [and article [94] of the Russian Federation Land Code].

Article 41. Invalidity of land transactions

Land transactions shall be considered null and void, or may be considered invalid by reasons specified in the civil legislation and the land legislation of the Russian Federation.

Nullity suit against land transactions may be brought by RF and Novgorod Oblast executive authorities, local self-governments, public prosecutors, specially authorized public authorities exercising control over land use and conservation, as well as by persons whose rights were infringed.

Chapter V. Peculiarities of transactions for agricultural lands

Article 42. Additional terms for allocating agricultural lands to citizens

1. Agricultural lands for peasant (farmer's) economy, or any other private enterprise manufacturing agricultural products, shall be delivered to citizens not younger than 18 either educated at agricultural colleges and institutions, or having experience in agriculture.

2. The said requirements shall not be applied with regard to citizens wishing to acquire land plots for maintaining an individual subsistence household, constructing a summer cottage, cultivating of orchards, cattle breeding, or gardening.

Article 43. Requirements to the transactions for agricultural lands

1. The owner of lands designated for agricultural purposes shall have the right to administer and manage them under the procedure set by the federal and Oblast legislation.
2. Transactions for land shares (land plots) shall be closed in compliance with the RF legislation and provisions of this Oblast Ordinance. Alienation of land shares for pay shall be effectuated in full conformity with the provisions of Article 250 of the Civil Code of the Russian Federation.
3. Targeted purpose of the use of agricultural lands may be modified only with the consent of Oblast Administration and in compliance with the territorial zoning set in the land management and town planning documents approved in the established procedure.
4. Land shares (land plots) may be leased out to agricultural enterprises, peasant (farmer's) economies, as well as land shares (land plots) , or the right to use them may transferred as a contribution to the authorized capital of agricultural enterprises by virtue of agreements concluded between owners of shares (owners of land plots) and agricultural enterprises, or peasant (farmer's) economies.
5. A land shares lease agreement shall be concluded for at least three years term. Both an individual owner of a land share, and a group of owners of land shares may act as a lessor.
6. When a land share is leased out, or transferred in use a share owner may specify in the agreement that a land tax will be paid by a leaseholder, or a land user.
7. Area of agricultural lands leased out for manufacturing agricultural products shall not be limited.

Article 44. Preferential right to purchase agricultural lands

Preferential right to purchase agricultural lands from the stock of state and municipal lands (for charge, or free of charge) shall be given to citizens and legal entities – leaseholders of land plots offered for sale, or citizens residing close to it.

If several applicants wish to buy a land plot (land share), a local self-government shall sell it through a competition.

Article 45. Ownership right to agricultural lands of banks and financial institutions

1. Banks and other financial institutions are not allowed to hold agricultural lands by the right of ownership.

1. If a bank, or a financial institution acquired the ownership of agricultural lands in the result of a foreclosure of a land plot, they shall alienate it within two years. If within two years they failed to alienate a land plot, it shall be sold through auction in the procedure set in the Civil Code, Article 238. Sale proceeds minus auction expenses and a proper sales tax shall be passed over to the bank, or financial institution to which a land plot belonged by right of ownership.

Article 46. Lands of peasant (farmer's) economies

1. A land plot may be transferred to a peasant (farmer's) economy by right of ownership, inheritable life possession, permanent/perpetual use, on lease or for the fixed term use.
2. The total area of a land plot of a peasant (farmer's) economy directly from the stock of state or municipal lands shall be established by the oblast administration but in no case shall be less than three times the average size of the peasant (farmer's) economy in the oblast.
3. Preferential right to obtain a land plot for maintaining a peasant (farmer's) economy shall be granted to citizens of the Russian Federation residing on the territory where a land plot is

located. Persons involved in agricultural production shall also have a preferential right to acquire a land plot for maintaining a peasant (farmer's) economy. In event of several applicants wishing to maintain a peasant (farmer's) economy on a given land plot, a local self-government shall select among them through a competition held on the territory where a land plot is located.

If a taken decision infringes the preferential right to acquire a land plot for maintaining a peasant (farmer's) economy, an appeal against such a decision may be taken to court.

4. A citizen who has a dwelling house in a rural settlement and has acquired a land plot for maintaining a peasant (farmer's) economy shall have the right to reserve the ownership to a land plot adjacent to his/her house which shall not be included in the composition of lands used for a peasant (farmer's) economy.

5. In event of termination of a peasant (farmer's) economy in connection with withdrawal of all, or anyone of its participants, or by any other reason, a land plot allocated to that peasant (farmer's) economy by right of common ownership shall be, pursuant to Article 50 of this Ordinance, partitioned under the rules and procedures set in Articles 18 and 19 of this Oblast Ordinance.

6. In event of withdrawal of one of a participant from a peasant (farmer's) economy, a land plot which was transferred to the participatory share ownership (joint ownership) of a peasant (farmer's) economy, shall not be subject to the partition in accordance with Article 48 of this Oblast Ordinance. Such owner shall have the right to claim allocation of a land plot in kind, or, in cases where allocation of a land plot in kind would cause incommensurate damage to the remaining common property or where the withdrawing member consents, a compensation adequate to the cost of a land plot. Procedures for the partition of a land plot and payment of a compensation shall be set by mutual consent of all participants of peasant (farmer's) economy, and in event of a failure to reach an agreement – by court.

Article 47. Allocation of land plots for maintaining a peasant (farmer's) economy to citizens – members (participants) of an agricultural enterprise

1. When a member (participant) of an agricultural enterprise withdraws from it with the aim to organize a peasant (farmer's) economy, he/she shall file an application to a general meeting, or a body authorized by it, with a request to allocate him/her a land plot and with indication of a proposed size, location of the economy and number of the family members wishing to organize it.

2. The general meeting of the members (participants) of an agricultural enterprise, or a body authorized by it, shall within a month from the date of filing an application issue a decision with regard to the size and on-site location of a land plot, which shall serve the basis for issuance by an authorized body of a resolution on allocation of land plot. Decisions of the general meeting or authorized body shall be made at open meetings of which the applicant has at least seven days written notice and at which the applicant may appear in support of his application. The applicant shall be provided with a written, reasoned decision on his application within 14 days of the date of the public meeting at which the decision is taken.

A relevant Committee for Land Resources and Land Management shall within two months from the date of documents' incoming to determine and delineate boundaries of a land plot and issue a plat of a land plot to the head of a peasant (farmer's) economy.

An appeal against refusal to allocate a land plot or a decision on the location and size of a land plot may be taken to the local committee on land resources and land management or to a court, in the discretion of the appellant. The decision of the local committee on land resources and land management may be appealed to a court.

3. Land plots allocated for the purpose of maintaining a peasant (farmer's) economy shall have

the mid-level of land productivity according to the Cadastre assessment of the lands of an agricultural enterprise.

4. A peasant (farmer's) economy separated out an agricultural enterprise shall have the right to lease out, in addition, lands from the public redistribution lands stock (Land Stock) of the same agricultural enterprise, or from any other land owners, and to obtain land plots from the stock of state lands by right of inheritable life possession as well.

5. The same procedure of land allocation shall be observed when a citizen withdraws from an agricultural enterprise with the purpose to join the other peasant (farmer's) economy.

Article 48. Allocation of land plots for maintaining a peasant (farmer's) economy to citizens that fail to be the members (participants) of an agricultural enterprise

1. To citizens that fail to be the members (participants) of an agricultural enterprise and that obtain land for the purpose of maintaining a peasant (farmer's) economy for the first time, land plots shall be allocated to the ownership, inheritable life possession, for permanent/perpetual use (within limits set in Article 26 of this Oblast Ordinance), on lease, or for the fixed term use from the public redistribution lands stock (Land Stock) on applications filed by that citizens.

2. In an application for land allocation signed by the head and members (participants) of a peasant (farmer's) economy an applicant shall state a proposed purpose of the use of a requested land plot, its proposed size and location, availability (absence) of any other land plots, and in event of a lease, or a fixed term use – the proposed term of the use of a land plot. An applicant shall append to his/her application a business plan, an extract from the service record of the head of a peasant (farmer's) economy certifying his/her qualification through a record of his/her work in an agricultural enterprise, or a copy of a diploma, or a training certificate.

3. On the basis of the submitted documents a respective local administration shall within a month from the date of the application incoming make a decision to allocate, or to refuse to allocate a land plot.

4. Refusal to allocate a land plot, along with actions of officials, which violate citizens' right to obtain a land plot for the purpose of maintaining a peasant (farmer's) economy, including concealment of the data on availability of the public redistribution lands stock (Land Stock), may be brought in court.

Article 49. Negotiability of peasant (farmer's) economies' lands

1. It is forbidden to sell, or alienate in any other way, except by succession within two years from the moment of acquisition the ownership in lands, agricultural lands, allocated to citizens free of charge from the public redistribution land stock (Land Stock).

2. Upon two years the said lands may be alienated, subject to payment into the respective local budget of a portion of the net proceeds of sale equal to the following:

Held for more than:	But less than:	% of net sales proceeds:
2 years	3 years	100%
3 years	4 years	75%
4 years	5 years	50%
5 years		None

3. Proceeds of sale shall be net of the costs of the sale, including brokerage, legal and registration fees, and the amount of any investment in improvements to the land made by the seller. The oblast committee on land resources and land management shall issue an instruction

for calculating net sale proceeds.

4. The right of the local budget to participate in sale proceeds as aforesaid shall be an encumbrance on the land enforceable in a court of law.

5. Except as provided in this article, all other agricultural land plots and land shares are alienable in accordance with the law.

Article 50. Transfer of the right to a land plot in event of sale of agricultural property

1. In event of sale, donation, or any other alienation of agricultural property (dwelling and industrial buildings, structures, constructions, machinery, equipment, etc.) belonging to a peasant (farmer's) economy or an agricultural enterprise, corresponding rights to a land plot shall be transferred to a new owner of agricultural property on condition that he/she further operates an agricultural enterprise in compliance with Articles 45, 46, 47 of this Oblast Ordinance.

2. A purchaser of the property of a peasant (farmer's) economy, or of the property of an agricultural enterprise shall be bound to register his/her rights to a land plot in the established procedure.

Article 51. Lands belonging to non-profit orchard growing, gardening and cattle breeding associations of citizens and associations of owners of summer cottages

1. Non-profit orchard growing, gardening associations of citizens and associations of owners of summer cottages shall acquire and use land plots in conformity with Federal Law "On non-profit orchard growing, gardening and cattle breeding associations of citizens and associations of owners of summer cottages".

2. Cattle breeding associations of citizens shall acquire and use land plots for the purposes of construction of household facilities and cooperative cattle breeding and forage growing in conformity with federal and oblast laws and ordinances.

Article 52. Lands for hay making and pasturing

Land plots for hay making and pasturing shall be given to citizens and legal entities on lease, or for fixed term use.

Chapter VI. Termination of land rights

Article 53. Grounds for termination of citizens' and legal entities' rights to land plots

1. Right of ownership of a land plot may be terminated on the grounds and in the manner provided in article 235 of the Russian Federation Civil Code.

2. Right of lease of land plot may be terminated in accordance with the provisions of Chapter 34, section 1 of the Russian Federation Civil Code and with the terms of the lease agreement.

2. Right of inheritable possession for life and permanent/perpetual use of a land plot may be terminated on the following grounds:

- a) voluntary abandonment of the right or the land plot, or a portion of it, as determined under article 225 of the Russian Federation Civil Code [and article [125] of the Russian Federation Land Code];
- b) voluntary alienation of the right through any legal means;
- c) legal succession;

- d)
- e) ;
- f) termination of labor-management relations in view of which a functional allotment was made, except the instances indicated in RF Land Codex, Article 87;
- g) violation of any other law governing use of land, provided that such violation is specifically identified in the law as grounds for termination of land rights;
- h) demise of a citizen without legal successor.

2. Lands may be withdrawn for public, municipal, and social needs no matter who makes the use of them, subject to the provisions of article 279 the Russian Federation Civil Code [and article [129] of the Russian Federation Land Code]. If necessary, local self-governments shall have the right to withdraw a land plot, or a portion of it, for temporary use to construct city nets and communications, with compensating damages to a land user, leaseholder, or a land owner.

Article 54. Procedure of termination of rights to a land plot

1. In event of violations of law which permit termination of land rights, rights to a land plot shall be terminated as follows:

- a) upon disclosure of the said violations, relevant public authorities empowered to monitor the use and conservation of lands shall impose a penalty on a person at fault in compliance with RF President Decree #2162 as of 12/16/93 "On Better Public Control Over the Use and Conservation of Lands during Implementation of the Land Reform";
- b) simultaneously with a penalty imposition a notice with the requirement to remedy the faults in three months shall be made;

In event of delinquency in payments for land the notice shall be sent by State Tax authorities, in all other cases – by authorities indicated in Paragraph a) of this Item;

In event of a failure to remedy the disclosed faults, the authorities identified in Paragraph b) of this Item, shall forward to a local self-government which allocated the land plot in question, a suggestion to terminate existing rights to a land plot.

Termination of rights in events specified in this Article shall be initiated by virtue of a resolution issued by a relevant local administration (Oblast Administration).

2. A copy of a resolution shall be delivered to an owner, possessor, user, leaseholder of a land plot not later than seven days after its issuance.

3. If within 30 days of receipt of the resolution to terminate land rights an owner, possessor, or user of a land plot notifies in writing the authority which issued a decision to withdraw a land plot, about his/her consent to it, than a land plot shall be subject to redistribution (withdrawn) in the established procedure.

4. If within the aforesaid 30 day period an owner, possessor, or user of a land plot does not consent in writing to a decision to withdraw a land plot, the authority which issued the decision may bring an action to court. 5. As long as a court judgment is not issued termination of rights to a land plot shall not be registered by state registration authorities.

6. Involuntary termination of a right to land for violation of the land laws shall be treated as a withdrawal of the right under article 55 of this ordinance and shall entitle the holder of the right to compensation. In calculating the compensation due to the holder of the terminated right the costs of enforcing the law and of curing the violation which led to termination of the right may be considered.

Article 55. Termination of rights to a land plot in event of its withdrawal (purchase) for state and municipal needs

1. This Article establishes the procedure of termination of rights to land when land plots are withdrawn (purchased) for state and municipal needs.

2. Land plots for state (federal, oblast) needs shall be withdrawn (purchased) by virtue of Oblast Administration resolutions issued with the consent of relevant local self-government.

Land plots for oblast needs which do not affect other regions, shall be withdrawn (purchased) by virtue of resolutions issued by a local administration on the instructions of Oblast Administration.

3. Terms for a withdrawal (purchase) of a land plot from an owner, possessor, leaseholder shall be set in a land management plan during a preliminary approval of the place of project location, and shall provide for:

- allocation of a plot of the equal value in exchange of the one withdrawn;
- to repay the cost of a purchased land plot;
- to cover losses of land users (including the opportunity cost), losses of agricultural enterprises and costs of the purchase and use of other plots.

Terms of a withdrawal (purchase) of a land plot shall be agreed with a land owner, user, or leaseholder simultaneously with the execution of a land plot selection act.

With a land owner, user, or leaseholder consent to withdraw a land plot a relevant local administration shall issue a decision on the withdrawal (purchase) of a land plot on agreed conditions with setting the dates when they shall be fulfilled.

If a land owner, user, or leaseholder does not agree with a withdrawal (purchase) of a land plot for state, or municipal needs, or they do not agree with a purchase price and other purchase terms, the public authorities which made that decision, may bring an action on a land purchase to court.

4. A decision of a relevant local administration on withdrawal (purchase) identifying terms of such withdrawal (purchase) shall be delivered to a land owner, user, or leaseholder not later than 7 days upon the date of its issuance, and may be reconsidered within a month upon lodging a complaint by people's court if a complaint is lodged by a citizen, and by court of arbitration – if a complaint is lodged by a legal entity. Taking appeal against a decision entails the stay of its execution.

Purchase of a land plot shall be legalized by a purchase agreement which shall be registered in the procedure established by law.

5. In exchange of a land plot subject to withdrawal another land plot may be allocated from the regional, or oblast redistribution land stock, reserved or other lands which are in state, or municipal ownership. An owner, land user, or leaseholder of a land plot may be suggested an option of no more than three land plots of equal value.

In event of allocation of a better land plot compared to the one withdrawn the area of newly allocated plot may be adjusted:

- subject to the ratio of productivity of a withdrawn land plot to the productivity of a newly allocated one;
- in terms of indicators used for comprehensive appraisal of lands of settlements across zones of different town planning value.

6. Land plots in ownership of citizens and legal entities shall be purchased at contractual price which shall equal fair market value of the land plot and in no case be less than standard (purchase) price set by relevant public authorities, or local self-government.

Land plots for state and municipal needs shall be purchased out of relevant budgets, or extra budgetary funds.

In event of allocation of a land plot of equal value in exchange of a withdrawn one its cost shall not be paid.

7. An owner, user, leaseholder of a land plot subject to withdrawal (purchase) shall obtain a reimbursement for losses and costs incurred with regard to:

- moving to a new site, or erection on it of a building, construction, any other real property of the same designation, or just get a reimbursement for their cost (with the consent of an owner, user, leaseholder);
- compensation for the opportunity cost;
- reimbursement for expenses on acquisition of ownership right to a land plot and its improvements if any;
- indemnity for other losses as the current legislation provides for.

Expenditures connected with erection of buildings, constructions and other real property shall be determined on the basis of the market value of construction as for the moment of withdrawal of a land plot.

The opportunity cost shall be determined as equal to a yearly income lost for the period of recovery of disrupted production.

If land plots subject to withdrawal have improvements of non-productive purpose a reimbursement for the opportunity cost shall not be paid.

Agricultural losses shall be repaid if the designation of land plots, withdrawn and allocated for state needs, is modified.

Expenses on improvement of lands incurred by an owner, possessor, user or leaseholder of a plot shall be determined in terms of prices ruling at the moment of the withdrawal of a land plot.

Losses of a land user (including the opportunity cost) and costs of acquisition of rights to a land plot and its development shall be covered out of the federal, municipal budgets, or out of relevant extra budgetary funds.

8. In event of withdrawal of land plots allocated to a citizen, or a legal entity for a fixed term (up to three years), or on lease, losses and expenses shall be covered in compliance with respective provisions and clauses of a fixed term use, or lease agreement signed by parties.

If an agreement fails to specify mutual obligations and rights of the parties in event of withdrawal of a land plot until expiration of the term of lease, or fixed term of use, a leaseholder (user) shall be paid the indemnity for the following losses:

- the market value of buildings, constructions and other real a leaseholder (user) property located on a land plot subject to withdrawal if they are erected with the consent of the owner;
- the opportunity cost of a leaseholder (user) calculated as a lost benefit which he/she might obtain for the coming period of recovery of disrupted production;
- costs on acquisition of lease (fixed term use) right to a land plot and its improvements if any;
- other losses of a leaseholder (user) as the current legislation provides for.

Chapter VII. Land charge, administrative and criminal responsibility for violation of land law, settlement of land disputes

Article 56. Land charge

1. In Novgorod Oblast use of land is charged for, except instances specified in federal, Oblast legislation and by agreements.
2. Land charge shall be collected in accordance with Oblast Law "On Land Charge".

Article 57. Administrative and criminal responsibility for violation of land law

Violation of land law involves an administrative and criminal liability in accordance with the federal legislation.

Article 58. Settlement of land disputes

All disputes arising in connection with alienation and purchase of land plots, as well as any other land disputes shall be settled in court.

Chapter VIII. Final clauses.

Article 59. Operation of the present Ordinance

Pending the enactment of the Federal Law on State and Municipal Lands, land plots on the territory of urban and rural settlements, or rights to lease them shall be auctioned off to citizens and legal entities under the decision of a relevant local self-government.

Pending the introduction of federal standards for distribution of sales proceeds from auctions where land plots located on the territory of urban and rural settlements, or right to lease them are offered to citizens and legal entities for development, the said proceeds, after payment of the auction expenses, shall be distributed as follows: 75% shall be entered to a relevant city, or Oblast district budget, and 25% shall be entered to the Oblast budget.

Article 60. On recognizing Oblast Law null and void.

With the present Oblast Ordinance coming into force, Oblast Law "On Procedure of Allocation and Withdrawal of Land Plots in Novgorod Oblast" ("Novgorodsky Vedomosti" newspaper, as of 07/12/95, 07/21/96, 08/09/96) shall be considered null and void.

Article 61. On enactment of the present Ordinance

The present Oblast Ordinance shall come into force from the date of its official publication in the "Novgorodsky Vedomosti" newspaper.

Article 62. Harmonization of legislative and normative acts with the present Oblast Ordinance

Upon enactment of the present Oblast Ordinance legislative and normative acts issued by Oblast authorities, and legislative and normative acts issued by local self-governments shall be harmonized with it.

II. Legal Framework in Oblast and City

F. COMMENTS ON PROPOSED NOVGOROD OBLAST ORDINANCE "ON REGULATION OF LAND RELATIONSHIPS WITHIN THE TERRITORY OF THE NOVGOROD OBLAST" TO RE-CODIFY LAND LAWS

COMMENTS ON DRAFT NOVGOROD OBLAST ORDINANCE "ON REGULATION OF LAND RELATIONSHIPS WITHIN THE TERRITORY OF THE NOVGOROD OBLAST"

Prepared by:
The Urban Institute¹
and
The Rural Development Institute²

September, 1998

The following comments and suggestions regarding the draft Novgorod Oblast ordinance "On Regulation of Land Relationships Within the Territory of the Novgorod Oblast" were prepared by the Urban Institute and Rural Development Institute in connection with the "Regional Investment Initiative" in the Novgorod Oblast sponsored by the United States Agency for International Development and the Novgorod Oblast Administration.

Attached to these comments is a revised version of the proposed ordinance which shows the suggested modifications to the draft.

Chapter 1

Article 1. The Civil Code is part of the land legislation; it is not entirely superseded by the Land Code, particularly with respect to land as an object of civil rights and definitions of forms of land tenure.

Article 4. In item 1 (5) the term "land management" is too broad and undefined. The appropriate constitutional standard is to regulate land use "to prevent harm to the environment and the rights of others."

Article 5. Delineation of land plots should be subject to the Russian Federation laws of land cadastre and survey.

With respect to item 4, there are many instances where some portion of land right may be separated from the ownership right when the land is sold, for example: reservation of a servitude for a right of way or reservation of the right to remove timber. It should be made clear that this provision, which says that land, land rights and objects attached to land must be sold as an integral unit, is not meant to prevent the creation or reservation of servitudes,

¹ 19 Prospect Mira, Moscow, Russia. The Urban Institute, a nonprofit research and consulting firm, has been working on issues of urban land and housing reform in Russia since 1992 under the auspices of the United States Agency for International Development.

² 1100 NE Campus Parkway, Seattle, Washington, USA. The Rural Development Institute, a nonprofit research and consulting firm, has been working on issues of rural and agricultural development in the Russian Federation since 1992 under the auspices of the United States Agency for International Development.

encumbrances or other agreements for the exploitation of natural resources at the time the land is sold.

Article 6. Targeted purpose and legal regime are different, but related. Use of the terms should be more precise.

Article 7. In item 1 it should be clear that the legal regime established for a targeted purpose applies to all land classified under the targeted purpose. It should be stated that under laws of planning and zoning a targeted purpose may be divided into subcategories which are subject to different legal regimes. In item 6, it should be clear that the content of a targeted purpose may be enhanced by consistent acts of local administrations under their powers of town planning and zoning.

Chapter II

Article 8. This article has been reorganized to show that the only form of tenure exclusive to natural persons is inheritable lifetime possession. Discussed further below are suggested modifications to the content of rights of lifetime possession, permanent and fixed term use.

Article 9. In item 3, it is a violation of the Constitution and the Civil Code to withdraw ownership rights to land without compensation, even if the owner is no longer a Russian citizen. Compensation may of course take into account the value of the lease right exchanged for the right of ownership.

Article 10. Acquisition of ownership to property, including land and real estate, should be governed under the provisions of the Civil Code. A general reference to the Civil Code assures uniformity and prevents conflict among laws.

Encumbrances are simply a part of the land plot's legal regime, and use of the more general term "legal regime" would be more appropriate here.

Article 11. The definition of lifetime possession found in this code and the proposed federal land code is simply incorrect. Lifetime possession is not the right to use land acquired through inheritance, but rather the right to use land for life and dispose of it through inheritance.

The tenure of inheritable lifetime possession is defined under the Civil Code. A general reference to the Civil Code assures uniformity and prevents conflict among laws. This form of tenure is antiquated and not suitable for a modern land economy; it is recommended that no new rights of lifetime possession be granted in the oblast. It is believed that the option to cease granting rights of lifetime possession is within the discretion of the oblast дума. It should also be clear that under present law, holders of rights of lifetime possession may convert those rights to ownership, thereby encouraging gradual eradication of the existing rights and further development of the land market. Finally, a distinction needs to be drawn between right of lifetime possession as a form of possession of state and municipal land, and lifetime possession as a form of devise of private land through inheritance. The latter form of lifetime possession, equivalent to the concept of "annuity," should be permitted under the laws of inheritance (for example, lifetime possession to a surviving spouse with ownership vesting in surviving children upon his/her death).

Article 12. Rights of lease are defined under the Civil Code. A general reference to the Civil Code assures uniformity and prevents conflict among laws. To promote vibrant land markets, the approach of item 2 should be reversed. Lessees of state and municipal land should have the right to pledge and transfer their lease rights unless specifically prohibited by a lease agreement.

One of the failures of Russian land markets is that the many leases of state and municipal lands are not designed to replicate true land markets by allowing private decisions on pledge and transfer of the lease rights. In most systems in which widespread leasing of state and municipal land is effective, rights of pledge and assignment are permitted without approval of the lessor.

Article 13. The right of permanent use is defined in the Civil Code. A general reference to the Civil Code assures uniformity and prevents conflict among laws. The right of fixed term use is not presently defined anywhere, but a definition is proposed in the draft Russian Federation Land Code.

The right of permanent use (including economic and operational management) is not appropriate for a modern land economy except in the case of state-owned enterprises and public institutions. Anything that can be accomplished by right of permanent use can be accomplished by a lease. It is recommended that no new rights of permanent use be granted in the oblast except to those types of legal entities. Existing rights of permanent use should continue in existence, but right holders (except state owned enterprises and public institutions) should have the right to convert the use right to ownership or lease in accordance with the applicable laws.

As with the right of lease, to promote a vibrant land market there should be a presumption that holders of permanent rights of use may pledge, assign, etc. unless specifically prohibited by agreement. (This is not a significant departure from present law, under which a sale of a structure automatically results in transfer of the right of land use to the purchaser. This transfer is a de facto assignment of the right of land use without approval of the state.)

For convenience, this article should be revised to address rights of use generally, which may be permanent or for a fixed term. In either case, there should be no rent charged for the right, as this is the only aspect of the right that distinguishes it from a lease. If a rent is to be charged for a right of fixed term use it would be better to use a lease, which has far greater legal definition in the laws.

Article 14. The current article 14 should be deleted in light of the changes to article 13. The right of "fixed term use" is not appropriate to a modern land economy, particularly if a rent is charged. This form of tenure should also be limited to state owned enterprises and public institutions. Moreover, if a rent is charged there is no reason why the form of tenure should be called "fixed term use" and not a simple lease. This type of distinction only leads to confusion in the forms of land tenure. Present holders of rights of fixed term use in effect on the effective date of the law should be permitted to convert their right to a lease.

Article 15 (New article 14). Rights of common ownership of property, including land and real estate, are very well defined in the Civil Code. There is no apparent reason to elaborate on the Civil Code. A general reference to the Civil Code assures uniformity and prevents conflict among laws.

Articles 16-19. Delete. See comment to article 15.

Article 20 (New article 15). The definition of encumbrance needs more elaboration. For example, an encumbrance that "attaches" to the land plot and is binding on all subsequent owners and users can be created only by the land owner. An encumbrance on any other form of tenure (use, lease, etc.) encumbers only the right itself (for example, a pledge of a lease right), but does not encumber the land plot directly, and such encumbrances terminates in all cases upon termination of the right. Encumbrances of secondary rights to land plots are

possible (for example, pledge of a lease right; a servitude granted by the holder of a lease or right of use) but should be treated differently, as they are in the nature of a contract and not an encumbrance on the real estate object.

Several of the specific encumbrances enumerated violate the purpose of encumbrances and impose unreasonable restrictions on the rights of ownership, including:

1) prohibitions on alienation should not be limited to specific individuals, as this may create discrimination, nor should prohibitions be perpetual; prohibitions are reasonable only for a limited period of time, for example the period of development, after which they become unreasonable restrictions on the right of ownership and on the land market.

2) it is unreasonable to prevent a land owner from leasing his land; also, the term "sublease" does not apply to a land owner.

9) an owner can not change the targeted use of his land - he can only change the actual use of his land, and prohibition of change of actual use, except in accordance with the laws of land use (targeted use, zoning and planning), is an unreasonable restriction on the rights of ownership.

11) item 11 should be generalized, as suggested in the new item 14.

Additional items should include the obligations to contribute to financial support of facilities; prohibitions on building design (height and bulk, location, etc.); and an obligation to share the proceeds if land is sold.

Additional provisions on the terms and beneficiaries of encumbrances are suggested. It is important to note that one of the most important uses of encumbrance under Russian law is a grant of limited rights of access and use to persons who are not land owners, including the public at large, as the definition of servitude presently found in the Russian Civil Code does not allow such rights to be characterized as servitudes.

Additional provisions are recommended dealing with the termination of encumbrances and the forms of enforcement.

Article 21 (New article 16). Servitudes are defined in the Russian Federation Civil Code. A general reference to the Civil Code assures uniformity and prevents conflict among laws.

It is recommended that the law establish whether a servitude can be created by prescriptive acquisition, as is suggested by the Civil Code.

It should be made clear that a servitude may be established to benefit any land plot, and not just an adjoining land plot.

Chapter III

Article 24 (New article 19). This article describes just one form of land allocation, which presumes an application from a citizen or legal entity.

It is recommended that applications include information on any land plots formerly owned by the applicant so that authorities can monitor whether there have been multiple allocations.

Any use permitted under applicable town planning laws should be sufficient to receive a land plot. Otherwise, the oblast or municipality will be in the position of deciding the specific use of land plots, which would be a distortion of market principles. An application may not be rejected if it states any use permitted by law.

In item 3, it should be made clear that the only grounds for refusing allocation of the land plot is that a suitable land plot does not exist, and that the authorities are not authorized to evaluate the “feasibility” of the proposed use other than to determine whether the land plot is suitable in terms of size and permitted use. The decision of feasibility must be made on the basis of the specifications for the land plot provided in the application and objective evaluation of the land plots technical and legal characteristics.

Reference to perpetual use and lifetime possession is no longer necessary in item 5 if new rights of use and lifetime possession are not granted.

New Article 20. A new article 20 pertaining to appeal of allocation decisions, largely incorporating material found later article 34 the draft, is inserted here to improve organization.

New Article 21. It is suggested that allocation through auction be described as a separate form of allocation.

New Article 22. Article 19 deals only with allocation on the basis of applications by citizens and legal entities, and new article 21 deals only with auctions and tenders. An entirely separate form of allocation which should be permitted is allocation of land by the oblast or municipality on its own initiative without competitive procedure, either through advertisement or brokerage. This is referred to in this new article as sale through negotiated transaction and it is an important tool for land allocation. There is no prohibition on allocation of land using this method but there should be certain restrictions, primarily the obligation to disclose the terms of the transaction to the public.

Article 25 (New article 23). Charge for land applies to lease as well as sale. It is recommended that the charge be established either through an auction or appraisal, but that sale or lease below appraised value be permitted in specified cases to encourage commercial activity. It is also recommended that the law specifically refer to deferred payment and payment by installment.

Article 26 (New article 24). The basic principle is that restrictions on the size of land holdings should be imposed only on land granted directly from the state or municipal stock, either through privatization or allocation. There should be no absolute limit on the size of land holdings acquired in private market transactions. It is inconsistent to complain of under utilization of land, and then prevent those who can actually make economic use of it from acquiring it.

Article 26 contains two main problems. First, Article 26 falls under Chapter III of the land ordinance, which is entitled “Allocation of land plots from the stock of state and municipal lands.” However, Items 2 and 3 of Article 26 contain important rules regarding land shares. Land shares are private land rights, not rights to state or municipal lands. Thus, from the legal perspective, these two points should not be contained in Chapter III. They belong in Chapter IV, “Rights and obligations of owners, possessors, users, and lease-holders of land plots.”

Second, Article 26(3) effectively limits the total area of land shares that one citizen can acquire to 50 hectares. This 50-hectare limit, combined with the limit on allocation of state or municipal land (under Article 26(1)), may limit the potential viability of a peasant’s (farmer’s)

economy, especially in the northerly Novgorod *oblast*. Farmers must have the freedom to decide for themselves how much land to cultivate if agricultural production is to be maximized.

Instead of establishing a fixed limit, Article 26(3) should be deleted. In its place, Article 49(2) should be revised to read as follows:

The total area of a land plot of a peasant (farmer's) economy shall be established by the *oblast* administration but in no case shall be less than three times the average size of the peasant (farmer's) economy in the *oblast*.

This recommendation should give peasant farmers enough flexibility to establish farms at optimum size, while at the same time preventing landlordism.

Article 27(New article 25). In most cases it should be prohibited for oblast and municipal authorities to encumber a land plot with a specific use restriction at the time of allocation. (By "specific" use restriction we refer to what is frequently called the "profile restriction," where a land plot is designated for a "shoe store," rather than simply "retail use" or "consumer goods and services.") Land use should be subject to the laws of targeted purpose, planning and zoning, and not determined on a case by case basis by the local administration.

Use restrictions on land allocated from the state and municipal funds present a difficult problem. Local authorities may have valid opinions on the highest and best use of key urban land plots, or may have long range economic or planning objectives which they believe to be in the best interests of the locality. At the same time, public authorities frequently cannot accurately interpret the market and require uses that the private sector investors are not willing to develop. (At least part of the problem is that the public authorities are not required to invest their own funds in the development.) Moreover, if specific use restrictions are imposed as an encumbrance on the land plot, they persist for all time unless waived by the local authorities, which significantly decreases the owner's ability to respond to changes in the market and, consequently, the value of the land.

There are no easy solutions to this problem. In this draft it has been suggested that it is impermissible for land allocation authorities to encumber a land plot with a specific use (other than targeted purpose and zoning and planning restrictions) unless the use is part of an integrated urban or economic development program and supported by evidence that it is the highest and best use for the land. In fact, it may be unnecessary to address this issue at all. If local authorities insist on determining the specific uses of land, and those determinations are contrary to the assessments of the private market, the land will not be sold and development activity will decrease.

It should be clear that it is not necessary to require that a land plot be developed in a specific period of time. In many cases, particularly if market value is paid for the land plot, the market should determine the pace of development.

Article 28(New article 26). There is no legal, economic or social rationale for denying ownership rights to land under multifamily buildings until all apartment and commercial units are privatized. This is essentially a reactionary position which will delay land privatization as long as possible. The better approach, closer to the policy of land privatization and the intentions of the law on condominiums, is to consider the land to be held in common share ownership by the apartment owners, including the oblast or municipality, as the case may be.

Article 30 (New article 28). The essential principle is that entry onto private land for surveying must be for a public purpose, and in the absence of a public purpose may be done only with the agreement of the land holder.

Article 31 (New article 29). What is described here is not prescriptive acquisition, and therefore a misuse of the term. Prescriptive acquisition is the occupation and use of land without formal rights and against the interests of the owner. Article 31, in contrast, describes a case where land was actually allocated by the state but the right creating documents are lost, or perhaps never issued. This is an entirely different case. It is suggested that this provision be converted into a simple solution for the problem of people lawfully occupying land but without registration or documents, to distinguish it from a case in which people are actually occupying and using land without the knowledge or consent of the state.

It is doubtful that the requirement of “good faith” is useful. It is generally not relevant to the objective of land privatization, and is a very ambiguous concept. For example, if a person knows he does not have legal documentation for his rights, is he in “good faith”? If the objective is simply to clarify land rights, the good faith test should be eliminated.

New Article 30. A new article 30 should be added which addresses prescriptive acquisition as defined in the RF Civil Code. There is some question whether prescriptive acquisition of state lands should be permitted. Many countries do not allow prescription against the state. The draft seems to allow prescription against state lands, but describes the limitations on prescription very vaguely.

Again, the issue of “good faith” is not legally relevant to prescriptive acquisition.

Article 32 (New Article 31). Since enactment of the law On Registration of Rights to Real Estate it is necessary only for this land law to refer to the registration law.

Article 33. It is suggested that this article be combined with the prior article on registration of rights.

Article 34. It is suggested that the contents of this article be moved earlier in the draft, to new article 20 under Chapter III, as has been done in the revision.

Chapter IV

Article 36 (New article 33). This article seems to contradict the present law and other provisions of the draft with respect to the rights of possessors for life, users and lessees to dispose of their rights through inheritance, and their right to compensation for withdrawal of the land (see, for example, articles 279-283, RF Civil Code). Other provisions of the draft allow transfer of these rights through inheritance. It is a long established legal principle in Russia, reflected in the Civil Code and drafts of the Land Code, that holders of rights of use and lease should have the right to claim compensation for the value of their land right, and not simply the value of their improvements. This is particularly true of leases that are negotiated civil transactions for which the lessee pays fair market value. Moreover, the right of a lessee of privately owned land to compensation for withdrawal of the land can be a matter of negotiation between the lessor and lessee regarding sharing of the award, and this draft makes no distinction between state and private leases.

As a matter of land economics, if the state is not required to pay compensation, it will be prone to make incorrect economic judgments on withdrawal of land, possibly withdrawing land for purposes of lower economic value to society than the use to which the land is presently put. Requiring compensation in all cases makes the state consider whether the proposed withdrawal is of higher economic value than the present use, and therefore whether the state needs can be met by withdrawing a less valuable land plot.

Article 37 (New article 34). It may be useful to point out that the obligations of leaseholders and users may be determined by a legal agreement.

Most of the obligations described here are not necessarily imposed on leaseholders, but are rather obligations of ownership. The primary obligations with respect to land are imposed on the owner (holder of lifetime or permanent use), and the obligations imposed on lease holders are established by contract. It may be better in this article to state that obligations of leaseholders are established by the lease agreement.

Article 37 contains several problems concerning land use obligations, which become grounds for termination of land rights (including ownership) in Article 56. Item 1 of Article 37, for example, requires right holders to “maintain” land plots; Item 2(1) requires right holders to “use land plots fully, in line with their designated purpose;” Item 2(4) requires that the land right holder “enhance soil fertility” and “carry out measures on land use and conservation;” and Item 2(5) requires right holders to observe “established regimes of land use.” These obligations are worded too broadly in terms of the obligations they impose. The result of such vaguely worded requirements may be arbitrary enforcement by local or other officials, added reluctance by individuals to risk acquiring private land rights in anticipation of possible arbitrary enforcement, and greater reluctance of banks to get involved in financing private purchase or land rights. The land use restrictions in Article 37 are further discussed under the comments to Article 56, below.

Article 38 (New article 35). The state should not be permitted to terminate a right of ownership because a building is not reconstructed. While it may be possible to allocate a land plot subject to the condition that a building be constructed, once the building is constructed the land owners’ obligation is met. A perpetual obligation to construct a building is a throwback to Soviet-era land concepts and contrary to the workings of a market. Such a concept of ownership makes the right of ownership depend on whether the owner is making some state-approved use of the land, which is not the concept of ownership presently embodied in the RF Constitution and Civil Code. There are many reasons why setting an arbitrary number of years for reconstruction is inadvisable, including the condition of the real estate market, the availability of financing, etc.

The threat of withdrawal (confiscation) of private land rights under any circumstances is a major violation of land tenure security, and thus serves to chill the development of land markets. Revoking rights to land in the event of disaster makes even less sense, given the slow recovery period many land owners may naturally experience after losing most of their assets.

With respect to lessees of land, their obligation to reconstruct is solely dependent upon the terms of the lease agreement, particularly if it is a private lease agreement.

Public authorities can require the removal of any dangerous condition caused by the destruction of a building.

Article 39 (New article 36). Presence of state and municipal housing in a multifamily building should prevent transfer of land ownership only if state or municipal housing is the exclusive use of the land. If the housing is partially privatized land should be allocated to the common ownership of the housing owners, including state or municipality, as the case may be.

It should be clarified that the use of land can be re-characterized in the normal procedure, after which it may perhaps be transferred to private ownership.

Article 40 (New article 37). The definition of privatization includes the fact that the land is presently held by citizen or legal entity under some other right, such as use or possession. Other transfers of ownership rights are referred to as "allocation."

Items 5 and 6 are not necessary, and lack clear policy justification.

Item (4) prohibits the privatization or purchase of land held in permanent/perpetual use, right of "inheritable life possession" or lease. Inheritable life possession is not needed as a form of tenure, since private ownership conveys every benefit of inheritable life possession without the restrictions on the economic usefulness of the land that are imposed by lifetime inheritable proprietorship's prohibition on sale. Also, inheritable life possession has been excluded from the 1991 federal Land Code by Presidential Decree No. 2287 "On Bringing the Land Legislation of the Russian Federation Into Conformity With the Constitution of the Russian Federation" (December 24, 1993).³

Despite the problems with and the lack of need for inheritable life possession, many private parties may currently hold land plots in such a form in Novgorod *Oblast*. Consideration should be given to phasing out inheritable life possession in the context of this Draft Law. Provisions could be added which provide that (1) the *oblast* and lower levels of government shall not allocate land plots in inheritable life possession, and (2) land plots owned by the *oblast* or lower levels of government and allocated in lifetime inheritable proprietorship shall be converted into full ownership.

Article 42 (New article 39). The second paragraph of item 1 is redundant of item 5. Also, it is not in the interests of oblast and municipal governments to prohibit mortgage of excess lands. Real estate collateral may often be very useful collateral for municipal bonds. The justification for prohibiting mortgage of public lands in connection with public borrowing is not clear.

Article 43 (New article 40). Land transactions are contractual transactions governed by the Civil Code. It is not necessary to provide additional guidance in this land law. It is suggested that article 43 and 44 be combined as shown.

Chapter V

Article 46 (New article 43). Item (3) of Article 46 requires that the local government approve every allocation or sale of agricultural land to a peasant farm, based on an "expert opinion" issued by an ad hoc committee comprised of representatives of the local administration, agricultural authorities, the land committee, and a peasant farmers' association. This provision contains several problems. First, this procedure creates substantial hurdles to each and every transaction in land for a peasant farm, thereby deterring implementation of a market and dampening the incentive for members of collective farms to withdraw their land shares in kind. Second, any necessary restrictions on agricultural land sales should apply uniformly regardless of whether the recipient is a peasant farm or a collective farm, or any other type of agricultural production organization. By singling out transactions to peasant farms for burdensome restrictions, this provision encourages land owners to sell their land back to collectives or other buyers and discourages collective farm members from withdrawing their

³ The right of lifetime inheritable possession to land does, however exist in the Civil Code, Chapter 17, Article 265. Chapter 17 is not yet enacted; it is to be introduced into operation on the date of the introduction into operation of the Land Code of the Russian Federation, which has not yet been adopted. See Article 13 of the Law "On the Introduction into Operation of Part I of the Civil Code of the Russian Federation" (December 1994).

land shares in the first place. In short, this Item serves no legitimate purpose, and should be deleted.

Item (4) conditions all agricultural land transactions on the preservation of their designated use-purpose, thus rendering the seller of the land plot responsible for guarantees of future use by the buyer. What is the remedy to be if the buyer changes use purpose in violation of the transaction agreement? Use purpose concerns are most effectively addressed by zoning and planning regulations, as contained in Item of this Article. Thus, language in Item 4 requiring that use purpose preservation be maintained as a condition of the transaction should be deleted.

Item (6) allows the leasing of agricultural land shares or plots to agricultural enterprises or to peasant farms, as well as the contribution of the shares back to the agricultural enterprise or to a peasant farm. It should be noted that contribution of a land share ownership right to the charter capital of an agricultural enterprise is generally not in the interests of the contributor. In contributing a land share, the contributor gives up the right to lease his land share for additional income, or possibly (if the charter does not allow withdrawal of the contribution in kind) to use his land share to start a peasant (farm) enterprise or expand his personal auxiliary enterprise. As a land market develops over the next several years, such land share rights will become more and more valuable. In return for contributing his land share, the share owner receives shares in the enterprise which are almost worthless, and will continue to be worthless: enterprises are generally too financially weak to pay dividends to shareholders, and shares on agricultural enterprises hold out little hope of increasing in value and returning a capital gain to the shareholder. Moreover, since common understanding of company and shareholder's rights is lacking in Russia, the shareholder is often at the mercy of the enterprise director. Serious consideration should be given to including a statement in this Draft Law (or in model forms on contribution of land shares) warning land share owners about the dangers of contributing their land shares.

Item (10) gives local governments the right to buy out a land share or plot to add to the redistribution lands stock. See comments to Article 56, below.

Article 47 (New article 44). This Article gives preference in allocation (for charge or free of charge) of land from the state and municipal land fund to leaseholders (citizens or legal entities) of the particular land being allocated or citizens residing close to it. Two problems arise from these provisions. First, if collective enterprises are currently leasing much of the state and municipal lands, they would receive priority over peasant farms or private individuals to allocation of these lands. Depending on how much of this land the collective farm enterprises are currently leasing, this could significantly limit the amount of land available for allocation to peasant farms. Second, the concept of "preference" lacks definition. It is particularly hard to imagine how "preferences" could exist alongside the requirement in the following paragraph that a local government must sell a given share or plot through a "competition" if several applicants wish to buy it. This Article should be amended to clarify the meaning of "preference" and to give priority in allocating land fund lands only to individual citizens and peasant (farmer's) economies who are currently using the land in question, or are located nearby.

Article 49 (New article 46). Item (6) states that a peasant farm shall adopt its own procedures for partitioning a land plot or otherwise compensating a member who decides to withdraw his share. The language in the last sentence of this Article is unclear, and, read together with the first sentence, could be interpreted to mean that a member withdrawing from a peasant farm can receive compensation but not an in kind share. This Article should be amended to clarify that a peasant (farmer's) economy must adopt procedures on how an individual member can withdraw land in kind *or*, in cases where withdrawal of a plot in kind

would cause incommensurate damage to the remaining common property or where the withdrawing member consents, to receive compensation.

Article 50 (New article 47). During the course of land reform in Russia in the 1990s, a set of rules has developed (supported by legislation) by which an agricultural enterprise member who wants to withdraw land from the enterprise has a reasonable chance of receiving land of average quality and location. Article 50 weakens the withdrawing member's chance in several ways.

Article 50 describes the procedures required for a member of an agricultural enterprise to withdraw a land plot in kind to start a peasant (farmer's) economy. First, Item (1) requires an application to the general meeting of the agricultural enterprise, or a body authorized by it. This requirement subordinates an individual member's right to withdraw his share in kind to the approval of the general meeting, and thus contradicts Presidential Decree No. 337, On Realization of Citizens' Constitutional Rights to Land (March 7, 1996), which provides that a land share owner can withdraw his land as a land plot in kind without consent of other land share owners. Any reference to approval by the agricultural enterprise as a prerequisite to land share withdrawal by an individual member should be deleted from Article 50.

Second, Item (2) states that the general meeting, or body authorized by it, must decide on size and location of the land plot within a month, thereby leaving the determination of the exact plot location and size entirely up to the agricultural enterprise management. The member's right to appeal arises only in the event of a "refusal" to allocate a land plot by the general meeting or its authorized body; poor location is not stated as a basis for appeal. As a practical matter, the applicant is thus almost wholly dependent on the goodwill of the general meeting (that is, the agricultural enterprise management, whose interests are in conflict with the withdrawing member) for the allocation of a viable land plot. These provisions undermine Decree No. 337, which provides that the withdrawing shareholder must obtain agreement of the other land share owners regarding the land plot's location, but does not leave selection of the plot solely up to the collective management. This Item should be amended to provide the withdrawing shareholder with: (1) greater participation in the land plot selection process; and (2) the right to appeal poor location of an in kind plot.

Third, Item (2) states only that "An appeal against refusal to allocate a land plot may be taken to court," thereby subjecting the withdrawing shareholder to a potentially lengthy and inefficient dispute-resolution mechanism. By failing to provide a more efficient channel for recourse, the provisions in this Article fall short of the provisions in Decree No. 337 in protecting the withdrawing shareholder rights from obstruction by the agricultural enterprise. Decree No. 337, in contrast, provides for dispute resolution (for refusal or controversies in selection of the land plot) by the local administration and the local committee on land resources and land management, *or* by appeal to court, when necessary. This Article should be amended to mirror the terms for withdrawal stipulated by Decree No. 337.

Article 51 (New article 48). Item (2) lists the requirements for a peasant (farmer's) application for allocation of state or municipal land, which include proof of work record in an agricultural enterprise *and* a copy of a diploma or a training certificate. While requiring one or the other may provide reasonable assurance that the land fund land will be used productively by the initial transferees, requiring both may have the opposite result of unduly hindering the allocation of agricultural land into productive use. This effect seems especially probable given that in 1997, 48,500 hectares of plowed land, out of 139,000 total hectares of agricultural land in the *raion* land redistribution funds of Novgorod *oblast*, went unused. In order to ensure the most rapid and efficient transfer of agricultural land into productive use, this Article should be amended to require proof of *either* previous agricultural work *or* agricultural education or training by an applicant for land fund allocations for a peasant (farmer's) economy.

Article 52 (New article 49). Item (1) forbids alienation (except by succession) of land within three years of acquisition from the public redistribution land stock, when the land was allocated for maintaining a peasant (farmer's) economy. Item (2) subjects alienation of such lands to a penalty equal to 50% of the Cadastre value of the land if the alienation occurs between three and five years of acquisition. The first problem with this Article is that it establishes restrictions on alienation which discriminate against peasant farms. Why should any such restrictions on alienation of allocated land apply to a peasant farm more so than to any other form of land use or economic enterprise? Secondly, this provision places peasant farmers in an untenable position should it become economically disadvantageous or physically impossible to continue farming the allocated land within 5 years of acquisition. Many peasant farmers hold the view that federal law prohibits the lease of peasant farmland.⁴ This Article's moratorium and penalty periods on land transfers by peasant farmers leave peasant farmers without any way to transfer his ownership into productive use if he cannot do so himself for any reason. The plight of peasant farmers in this situation is compounded by the fact that non-use of land is grounds for terminating rights to it. (See discussion under Article 56, below). Thirdly, the Cadastre value of the land may not reflect its market value, so that a penalty charge equal to 50% the Cadastre land value could render alienation impossible for a total of five years from the acquisition date.

One way to limit the possibility of speculation without unduly burdening peasant (farmer's) economies or overly restricting private land ownership rights would be to reduce the moratorium to two years from the date of acquisition, but apply it to the transfer of all agricultural land received from the land fund rather than just that land allocated for peasant (farmer's) economies. For land sales that occur after the second but before the fifth year from allocation, profit could be subject to a special surtax on the profit from the sale, rather than a penalty based on the Cadastre land value. This surtax could be levied incrementally, in inverse relation to the number of years that have passed since the acquisition date (i.e., 100% on sales that take place after two years have passed, but prior to the end of the third year, 75% on sales that take place after three years have passed, but prior to the end of the fourth year, and 50% on sales that take place after four years have passed, but prior to the end of the fifth year).

A final point on Article 52: it is unclear what is meant by the phrase, "with exception to be made for land shares."⁵ This phrase could clarify that the three-year moratorium applies only on sales of land allocated to peasant (farmer's) economies from the land fund, and not to future transactions of land shares withdrawn in kind by members of agricultural enterprises. Another possible reading is that any land fund allocations to agricultural enterprises are not subject to the same restrictions on alienation as are allocations to peasant (farmer's) economies. The reference to land shares in Item 1 of this Article should be deleted, and a new Item 3 should be added which provides that all other land plots and land shares are alienable in accordance with the law.

⁴ The federal law on the "Peasant (Farmer) Economy" provides that only those peasant farmers who are temporarily incapacitated, called up for regular service in the armed forces, or enrolled in school may lease out land. RF Law on the Peasant Farm, art. 10. However, land plots may be leased without such restrictions pursuant to Presidential Decree No. 1767, which may be regarded as superseding restrictions contained in the Law on the Peasant Farm.

⁵ The entire Item reads: "It is forbidden to sell, or alienate in any other way, except by succession within three years from the moment of acquisition the ownership in lands, agricultural lands, allocated to citizens free of charge from the public redistribution land stock (Land Stock) for the purpose of maintaining a peasant (farmer's) economy, with exception to be made for land shares.

Chapter VI

Article 56 (New article 53). It is suggested that the right of ownership be distinguished from the other forms of tenure as it is the primary civil right defined in the Civil Code. Article 235 of the Civil Code set out in great detail the grounds for termination of the right of ownership. It is not clear what this law adds to the provisions of the Civil Code, or why the proposed additional grounds for termination are necessary.

Lease rights are also defined in great detail in the Civil Code. Leases, including leases of land, are primarily commercial transactions and therefore the provisions of the Civil Code should be emphasized. The Civil Code sets out the grounds for termination of rights of lease. Simple reference to the Civil Code assures uniformity and decreases the potential for conflict among laws.

Because the rights of use and lifetime possession are not primarily commercial transactions they receive less attention in the Civil Code and it is acceptable to define the grounds for termination of these rights in this law. However, the grounds provided in the draft are too detailed and specific and are addressed in other laws. A better approach would be to make the grounds for termination more general and rely on the contents of other laws; in that way this law would not have to be changed every time the other laws were changed.

It should be specified that termination of land rights because of violation of a rule of land use will be permitted only if the law establishing the rule of land use specifically allows termination of rights as a result of the violation.

Specific comments on the grounds for termination enumerated in the draft are as follows:

- Item 1(a) gives the local government the right to confiscate land for “voluntary abandonment of plot or portion of plot,” but neglects to define what constitutes abandonment. Rather, this vague provision would seemingly authorize government bodies to revoke land rights if the owner is not present on the land for a certain period of time. There are many more market-friendly ways to promote the efficient use of land than by forcing an owner to spend time on the plot. The market itself, coupled with security of land tenure from arbitrary government action, will promote such efficiency by allowing individual owners to use or not use their land, according to their economic interest. Item 1(a) should be deleted.
- Item 1(d) establishes “failure to use a plot for its designated purpose” as a grounds for invoking the penalties set forth in Article 57, which escalate to withdrawal of the land plot.⁶ While it is reasonable for the government to retain the authority to enforce designated use purposes, this authority must be balanced against the critical need for tenure security as a prerequisite to the development of a private land market. To better protect the rights of peasant (farmer’s) economies and individual agricultural land owners, this Item should be amended to provide for a graduated system of fines for actively violating the designated use purpose. If a forced sale is necessary in severely egregious cases, a public sale should be required with the proceeds going to the owner of the land. (See comments to Article 58, below.)

⁶ Article 57 calls for a fine to be levied in accordance with Presidential Decree No. 2162, and for the violation to be eliminated within three months. If the fine is not paid and the violation is not eliminated, then the appropriate state agency shall make a request to the appropriate local self-government body to terminate the rights.

- Item 1(f) establishes inefficient land use, defined as either the use of land that results in production levels 20% below average or conversion to a less valuable use, as a grounds for Article 57 penalties. Given the inherent risks involved in agricultural production, this provision has the potential to severely discourage farmers from taking ownership of private land. Lessors of land may also be reluctant to lease their land to private farmers who are just getting started. If the private farmer cannot effectively use the leased land, the lessor runs the risk that he will lose his land or be forced to farm it himself. Moreover, federal legislation does not authorize forced termination of ownership rights by the state or local government in cases of irrational use other than in exceptional situations. Even in situations of flagrant violations of rational use, forced sale or some equivalent method of compensation is required by the Civil Code. For such flagrant cases of irrational use, graduated penalties should lead at most to forced sale, with the proceeds from such sale given to the owner. Since any such egregious case is likely to fall under Items 1(d) or 1(g), Item 1(f) should be deleted.
- Item 1(g) states that improper land use resulting in productivity decline and environmental deterioration may be punished under Article 57 procedures. For the reasons given under Item 1(d) above, this Item should be amended to provide for a graduated system of fines for actively causing soil or other types of environmental degradation. If a forced sale is necessary in severely egregious cases, a public sale should be required with the proceeds going to the owner of the land. (See comments to Article 58, below.)
- Items 1(i) and 1(j) establish non-use as a grounds for the penalties set forth in Article 57, which begin with fines and escalate to withdrawal. Under Item 1(i), non-use of leased agricultural land for a period of one year subjects the lessee to penalty. Under Item 1(j), non-use of owned agricultural land for a period of three years subjects the owner to penalty. Confiscation of land rights for non-use not only chills the private land market, it also fails to make economic sense in an *oblast* where 82,000 hectares of land in the 139,000-hectare land redistribution fund currently go unused. Furthermore, these provisions both conflict with federal legislation, which does not authorize either withdrawal or fines for non-use. Items 1(i) and 1(j) should be deleted.
- Item 1(l) authorizes withdrawal of land upon the “termination of participatory share ownership, or joint ownership of an agricultural enterprise (company) to a land plot in scope of rights to a land share (an interest) of a person who withdraws from an agricultural enterprise (company).” This Item is unclear and should be re-worded or deleted.
- Item 1(m) allows for “withdrawal (purchase including a forced one) of lands for public, municipal, social and other needs, as well as for allocation of land plots to citizens.” Rather than restricting withdrawal to instances of public or social necessity, this item authorizes the government to withdraw privately held land to add to a land redistribution fund to be used for future private land allocations to other citizens. The government’s authority to withdraw land plots is a severe infringement on private land rights, especially in the nascent market environment of Russia, and thus should be exercised only if needed to serve overriding public interests. Allocation of land plots to private parties should not be considered one of these overriding public interests. This Item should be deleted.

Article 57 (New article 54). The enumeration of grounds for termination of land rights is not the same as in the previous provisions of the draft and can cause conflict and confusion. The reference should be more generalized.

The process of termination should be modified to require that the holder of the right respond to the notice of the authorities within a specified period of time, and if he does not respond then the authorities may bring an action in court to terminate land rights. It should be clear that

termination may not be the result of an administrative procedure, but may only be ordered by a court. Termination should be treated as a withdrawal of land rights under the succeeding article, and the holder of the right should receive compensation. As with withdrawal for state and municipal needs, termination would not be considered effective until compensation was paid. In the absence of court supervision and compensation, there is a good possibility that the right to terminate will be abused by local governments and citizens will be deprived of their land unfairly and for frivolous reasons. It is also likely that the value of the property confiscated will greatly exceed the damage caused by violation of the land laws.

One approach to compensation for confiscated land would be a public sale procedure comparable to enforcement of a mortgage through which the state would compensate a private land owner with the net proceeds from the public sale in the event of withdrawal.

Article 58 (New article 55). It is not necessary to enumerate in item 1 the reasons why land may be withdrawn. The reasons are established under constitutional law.

In item 6 it should be clear that the contractual price of the land is the fair market value.

Chapter VII

Article 59 (New article 56). It is not necessary to limit the first paragraph to auctions. The point is that land plots may be transferred in any legal way by the decision of the municipal government.

It does not make sense now to allocate the proceeds from land sales to the stated purposes until more experience is gained. Proceeds should be allocated to the budget generally.

Appendix III Stimulating Land Markets
ATTACHMENT A: Sample Registration Procedures

MODEL PROVISIONS
for Interaction
among Oblast Judicial Agency for Title Registration and Other Rayon-Based Agencies

PART I. INTRODUCTION

1. The current Model Provisions are based on the following laws:

- RF Law «On State Registration of the Title»;
- Regulations for Novgorodskaya oblast Judicial Agency for Title Registration (approved by Novgorodskaya oblast Governor's Order #137, dated April 7, 1998);
- Provisions for Maintaining the Unified State Title Register (approved by RF Governmental Order #219, dated February 2, 1998);
- RF Presidential Ukaze #2130, dated December 12, 1993 «On Maintaining State Land Cadastre and Title Registration»;
- Provisions «On State Recording of Residential Fund in the Russian Federation» (approved by the RF Governmental Order #1301, dated October 13, 1997).

2. Interaction among agencies stated below in paragraph 3 of this Part is organized with the following goals:

- to simplify the procedures for processing documents required for title registration;
- to set up unified procedures for recording of properties that provide for transparency of the real estate market and protect legal interests of citizens.

3. Agencies Subject to Regulation by These Provisions.

3.1. Novgorodskaya oblast Judicial Agency for Title Registration (further referred to as Judicial Agency). The functions of the Judicial Agency on the rayon level shall be exercised by its local branch.

3.2. Agencies involved in description and recording of buildings and premises (further referred to as building recording agencies), i.e.:
municipal Bureau of Technical Inventory (BTI);
«Novtechinventarizatsiya» for Novgorodsky and Batetsky rayons.

3.3. Land description and recording agency:
a respective rayon Committee for Land Resources and Land Management.

3.4. Other agencies involved:

- local self-government agency;

- rayon (municipal) department for city planning and architecture;
- courts;
- tax agencies;
- other agencies (as provided for by current laws).

3.5. An applicant. In compliance with these Provisions an applicant shall be a person who submits an application to register the emergence, transference or cessation of real estate rights and respective encumbrances and/or real estate transactions.

PART II. DIVISION OF AUTHORITY AMONG PROPERTY RECORDING AGENCIES AND JUDICIAL AGENCY

4. General

- 4.1. An applicant shall contact property recording agencies for documents required by the Judicial Agency for title registration. Such documents shall be submitted to the applicant within time limits and for a fee as set by authorized agencies. Property recording agencies shall not retain the originals of submitted documents and shall not make any inscriptions on them (with the exception of payment documents).
- 4.2. An applicant shall submit an application for title registration and two copies of all required documents to the Judicial Agency.
- 4.3. If the Judicial Agency needs additional information concerning real property and/or real estate rights that emerged prior to this registration, the Judicial Agency may send a request for such information to a respective property recording agency. Property recording agencies shall submit the requested information free of charge within ten working days. The Judicial Agency may have additional direct agreements with property recording agencies regarding urgent submission of information for a fee set by Novgorodskaya oblast Administration.
- 4.4. After title registration (or denial in such registration) the Judicial Agency shall return one set of documents required for title registration to the applicant. The fact of title registration is certified by a Certificate of Title Registration issued in one copy to the title holder. Registration of agreements and other transactions is certified by a respective registration inscription on a document that describes the transaction.
- 4.5. In compliance with these Provisions, the Judicial Agency shall regularly and freely provide data on registered rights to property recording agencies.

5. Application Documents Required for State Registration of Emergence or Transference of Rights to a Land Parcel.

- 5.1. A land recording agency shall submit the following documents to the Applicant:
 - a certificate of encumbrances imposed on a land parcel and recorded in the Land Book prior to May 12, 1998;
 - a map of the land parcel with a cadastral or other temporary number.

6. Application Documents Required for State Registration of Emergence or Transference of Rights to a Building, its Part or Interior Space

6.1. A building recording agency shall provide the applicant with the following documents:

- data on the location, description, technical condition, evaluation and ownership of real estate (Form 1-RP);
- floor maps with indication of the cadastral number of the property.

7. Interaction of Agencies in the Process of Designating a Cadastral Number to Real Properties

7.1. When a Judicial Agency registers rights to a building, part of a building or interior space located on a land parcel whose cadastral number is unknown, the Judicial Agency shall send an inquiry for information for a designated cadastral number to a land recording agency. In the letter of inquiry the real property is identified by its mail address. A property map may be attached to the letter of inquiry.

7.2. Within five working days a land recording agency shall send a response to the Judicial Agency containing the following information:

- the number and date of inquiry;
- the date of response;
- the real estate mail address;
- other real estate identifiers (if any);
- the cadastral number of the relevant land parcel, the date of its designation and the number of its cadastral file; the official's position, name and signature.

The cadastral number must be in the format approved by the «Provisions for the Format and the Order of Recording Real Estate Cadastral Numbers» (approved by the RF Governmental Order, dated April 15, 1996) and the Order of Novgorodskaya oblast Administration, dated November 25, 1995 «On the Format of Real Estate Cadastral Numbers».

If a cadastral number has not been designated to a land parcel by the time of inquiry for information, the land recording agency shall designate such cadastral number to the land parcel.

7.3. If within five working days a land recording agency fails to designate a cadastral number to a land parcel, the Judicial Agency shall designate a temporary number to such land parcel. The Judicial Agency shall regularly provide data on designated temporary numbers to the oblast Committee for Land Resources and Land Management.

7.4. In the future, when the land recording agency designates a cadastral number to the property regarding which the Judicial Agency has once requested cadastral information, the land recording agency, within one day after designating the cadastral number, shall provide the following information to the respective branch of the Judicial Agency:

- the number and date of inquiry from the Judicial Agency;

- the cadastral number (numbers);
- the date of designating the cadastral number;
- the number of the land surveying file;
- a map of the land parcel.

7.5. Upon receiving the above information, the Judicial Agency, within five working days, shall:

- change the respective temporary number in the Unified State Title Register for a designated cadastral number;
- inform the real estate owner about the designated cadastral number.

8. Information on Registered Rights that the Judicial Agency Shall Provide to Property Recording Agencies.

8.1. Before the 10th date of the first month of each quarter the Judicial Agency shall provide land recording agencies with data on land rights registered in the previous quarter of the year. Data shall be adequate for keeping the Land Book (if possible, data shall also be submitted in a required format).

8.2. Before the 10th date of the first month of each quarter the Judicial Agency shall provide building recording agencies with data on building rights registered in the previous quarter of the year.

PART III. INTERACTION WITH LOCAL SELF-GOVERNMENT AUTHORITIES

9. By-Laws Constituting Basis for State Registration of Rights

9.1. Issues of granting and returning of land use rights:

oblast law «On the Procedures of Granting and Returning of Land Use Rights in Novgorodskaya Oblast»;

9.2. Privatization issues:

Regulations on the approval of a plan of privatization;

9.3. Issues of transference of use and ownership rights;

Decision on granting a gratuitous land use right;

Agreement on transference of land into gratuitous use;

9.4. Issues of establishing public servitudes:

Decision on establishing a public servitude;

9.5. Issues of putting real estate into operation:

Decision certifying that an earlier completed building has been put into operation;
or Decision approving a building completion certificate;

9.6. Issues of approving vested rights:

Decision on the approval of vested real estate rights;

9.7. Issues of recording real estate that has no owner:

Resolution validating the fact that the real estate has no owner;

Application submitted to the oblast Judicial Agency with a request to put the real estate on a list of real properties that have no owner; upon completion of a year since the date of such recording the real estate can get the status of a municipal property (based on a court decision);

9.8. Issues of inheritance from the deceased:

Certificate of escheating real estate by local self-government authorities (based on the request of local self-government authorities).

10. Delegation of Authority

10.1. Local self-government authorities may pass by-laws and decisions on issues that are within the authority of Novgorodskaya oblast administration only if such authority has been delegated to them by Novgorodskaya oblast administration; their by-laws shall contain language referring to a specific resolution delegating such authority.

10.2. Rural and semi-rural administrations may pass Decisions on issues that are within the authority of local self-government authorities only if such authority has been delegated to them by local self-governments; their by-laws shall contain language referring to a specific resolution delegating such authority.

11. Providing Local Self-Government Authorities with Information on Registered Rights

11.1. Pursuant to clauses 14.1. and 14.3. of these Provisions, the Judicial Agency shall provide local self-government authorities with relevant information.

PART IV. INTERACTION WITH OTHER AGENCIES

12. Providing Information on Registered Rights to the Holder of Right

12.1. The Judicial Agency shall provide all holders of rights with information on rights registered for a respective real property as well as with information on the above rights given to other parties within five days prior to the date of application. Agencies listed in clause 14.1. obtain such information free, other agencies shall pay a fee established by Novgorodskaya oblast Administration.

13. Interaction with Tax Agencies

13.1. Land recording agencies and building recording agencies shall provide rayon tax agencies with information on real estate and respective rights that emerged prior to May 12, 1998 in compliance with established procedures.

13.2. The Judicial Agency shall provide rayon tax agencies with information on real estate rights that emerged after May 12, 1998 in compliance with agreements signed by the Judicial Agency and rayon tax agencies.

13.3. The Judicial Agency shall provide rayon tax agencies with data on right establishing documents and rights registered on the basis of a donation agreement within 15 days after registration in compliance with an agreement signed between the Judicial Agency and a rayon tax agency.

13.4. The Judicial Agency shall recommend an applicant to obtain confirmation of the fact that the alienator of rights has paid all due taxes on the transferred property (such information may be obtained from a tax agency). If an applicant fails to submit such information within two working days after application, the Judicial Agency shall inform a rayon tax agency by telephone about the received application on the third working day after application.

14. Providing Other Agencies with Information on Registered Rights

14.1. Within five working days the Judicial Agency shall provide title transfer information free of charge to the following agencies:

- police and courts regarding data related to current lawsuits;
- state authorities of the subjects of the Russian Federation and local self-government authorities;
- tax agencies on requests about real properties located on the territories under their authority;
- state agencies supervising the use and protection of land and other natural resources;
- agencies responsible for state statistics.

The request for information shall identify real estate by its mail address and cadastral number.

14.2. Other agencies entitled to obtaining information free of charge in compliance with the laws of the Russian Federation state such rights in the application form.

14.3. Within five working days the Judicial Agencies shall provide top officials of self-government agencies, state authorities of the subjects of the Russian Federation, courts and police investigating cases connected with real estate and/or holders of rights, with the following free information:

- data on the language of rights establishing documents;
 - general information about the rights of an individual about his/her property located on the territory under the authority of this Judicial Agency;
 - title transfer information.
- Such information shall be provided only on request from authorized officials.

15. Providing Information to the Judicial Agency at its Request

- 15.1. Within ten working days after receiving an inquiry for information required for title registration, respective agencies shall submit such information to the Judicial Agency free of charge (if not otherwise stipulated by these Provisions).

16. Providing the Judicial Agency with Information about Court Decisions

- 16.1. Within three days courts shall inform the Judicial Agency about court decisions and determinations related to real estate rights.

17. Providing the Judicial Agency with Information about Distressed Property

- 17.1. Within three days the authorities that distressed real estate shall send an attested copy of the decision to distress the property to the Judicial Agency. Relevant information shall also be sent to other agencies in compliance with current laws.

PART V. PROCEDURES FOR STATE REGISTRATION OF REAL ESTATE RIGHTS AND TRANSACTIONS.

18. Procedures for Registration of Rights to a Land Parcel Allocated by Local self-government Authorities.

- 18.1. The local self-government authorities shall request a land recording agency to draw maps of land parcels that are to be allocated into perpetual (permanent) use, inheritable life-time possession, ownership and lease. Local self-government authorities are recommended to maintain full cadastral information concerning the allocated land parcels.
- 18.2. A land recording agency shall provide a description of the allocated land parcel to an extent requested by local self-government authorities (see clause 18.1). The prepared documents shall contain a reference to the cadastral number of the land parcel.

- 18.3. The applicant shall submit to the local self-government agency a request to grant him the right to use (own, lease) the above land parcel.
- 18.4. The local self-government agency shall issue a Decision on the allocation of the land parcel. The Decision shall specify the transferee and the transferred rights; maps of the land parcels, bearing the cadastral numbers thereof, shall be attached to the Decision. The local self-government agency shall, upon request, issue a copy of the Decision and of all the appendices to the transferee.
- 18.5. The transferee shall apply for registration of rights to the land parcel to the Judicial Agency. The Decision of the local self-government agency and all the appendices to it (see clause 18.4.) shall be attached to the application.
- 18.6. The Judicial Agency shall register the applicant's rights to the land parcel. Rights are registered on compliance with the procedures approved by the local self-government authorities (see clause 26 hereunder).
19. Procedures for Alienation of a Building Located on a Land Parcel which the Owner of the Building has in Permanent Use or Inheritable Life-Time Possession.
- 19.1. For the purpose of state registration of an agreement and (or) ownership rights to a building, an applicant shall provide the Judicial Agency with a documented proof of his/her right to use a respective land parcel. The title transfer can be registered if it does not conflict with the current land use conditions.
- 19.2. Pursuant to Paragraph 3 of Article 552 of the RF Civil Code, the new owner's right to the building allows him/her to obtain the use or ownership land rights on the same conditions as for the previous owner of the building. Based on that right, the new owner may apply to the local self-government agency for the right to lease, hold in permanent use or own the respective land parcel.
- 19.3. The applicant (the new owner of the building) shall apply to the Judicial Agency for state registration of the right to lease the land parcel, hold it in permanent use or in inheritable life-time possession. These rights are registered in compliance with the established procedures (see clause 4 of these Provision).
20. Procedures for the Transfer of the Right to a Building Located on a Land Parcel Owned by the Owner of the Building.
- 20.1. If the conditions of the transfer of right of ownership to a land parcel or the right to use the land parcel or a part thereof are provided for in an agreement alienating the building, the applicant shall submit to the Judicial Agency a request for state registration of either one or both of the following rights: the right of ownership to the building and the respective right to the land parcel. These rights are registered in compliance with the established procedures (see clause 4 of these Provisions).
- 20.2. Pursuant to Paragraph 2 of Article 522 of the Civil Code, if the agreement does not stipulate the transfer of land rights to the purchaser of a building, the purchaser shall have the right to the land parcel under the building or to a part of the land parcel that is required to operate the building.

- 20.3. The applicant shall apply to the Judicial Agency with a request to register the right of ownership to the building. The right is registered in compliance with the established procedures (see clause 4 of these Provisions).
- 20.4. Upon registration of building rights, the land recording agency, based on an application submitted by the new owner and the right establishing documents (such as a buy-sell agreement and a certificate of state registration of ownership rights), shall draw maps of the part of the land parcel that is located under the building and is required for its operation, as well as a map of the remaining part of the land parcel and shall issue them to the applicant.
- 20.5. The applicant shall apply to the Judicial Agency for state registration of the right of ownership for the newly-formed land parcel. The right is registered in compliance with the established procedures (see clause 4 of these Provisions).
21. Procedures for State Registration of Rights to a Land Parcel which is not Described or is Inadequately Described in the Cadastre.
- 21.1. A land parcel is considered inadequately described in the cadastre if a cadastral number has not been designated to it and/or its boundaries, exact location of buildings and utilities are not drawn on the map.
- 21.2. If the cadastral survey has not been made or completed, the land recording agency shall draw a map based on available information. If a cadastral number has not been designated to a land parcel, the Judicial Agency and the land recording agency shall act in accordance with the procedures stated in clause 7 of these Provisions. The land recording agency shall provide the adjusted information about the land parcel to the Judicial Agency within one day after the completion of cadastral works.
22. Procedures for Registration of a New Building
- 22.1 At the applicant's request a building recording agency shall make technical documentation for a new building («technical passport»).
- 22.2. At the applicant's written request and based on the submitted «technical passport», the City Planning and Architecture Committee shall approve the construction of a new building and issue a certificate of building acceptance into operation.
- 22.3. The local self-government agency, based on the state commission's certificate of acceptance into operation, shall issue a Decision about the approval of the certificate of acceptance and designate an address to it.
- 22.4. The applicant shall apply to the Judicial Agency for the registration of the right of ownership to the building. The state registration is carried out in compliance with the procedures established for registration of rights resulting from local self-government by-laws.
23. Procedures for Registration of an Unfinished Building

- 23.1. Based on the applicant's written request for registration, application documents confirming the applicant's right to use the land parcel allocated to him for construction of a building, and the project estimate documentation (if and when demanded by law), the building recording agency shall prepare documents containing the description of an uncompleted building and shall provide the applicant with a report written in a required format.
- 23.2. The report describing the building at the moment of transfer of right may be signed by a commission comprised of representatives of a real estate recording agency, agencies supervising city planning and construction, or by the buyer and the seller (or their representatives).
- 23.3. The applicant shall apply for state registration of the right to an unfinished building to the Judicial Agency. The right is registered in compliance with standard procedures (see clause 4 of these Provisions).

24. Procedures for Registration of Rights to Previously Constructed Buildings.

24.1. Based on the applicant's written request and the attached documents confirming the applicant's land rights (a Decision of a local self-government agency) and land payments (such as tax and insurance payments, etc.), a copy of records from the account ledger, a certificate issued in an established format by a street council, the local self-government agency shall pass a Decision about putting the previously constructed building into operation.

24.2. The Judicial Agency shall register the rights of ownership to such building in compliance with the procedures established for registration of rights resulting from local self-government by-laws (see clause 26 of these Provisions).

25. The Procedures for Registration of Vested Rights to a Building (Premises)

25.1. In the case of the applicant's fair, open and unbroken possession of a building (or a part thereof) as if it were his/her own for a period of over 15 years, the local self-government agency, at the applicant's request and based on the application documents confirming land rights and possible payments (including tax and insurance payments), a copy of records in the account ledger, a certificate issued by a street council in an established format and other relevant documents, shall issue a Decision approving vested rights to the building.

25.2. The applicant shall apply to the Judicial Agency for the registration of the right of ownership. Such right is registered in compliance with the procedures established for registration of rights resulting from local self-government by-laws (see clause 26 of these Provisions).

26. The Procedures for State Registration of Rights Resulting from Local self-government By-Laws and Decisions

26.1. Should the rights arise from a Decision taken by state authorities or by local self-government authorities, the request for state registration of rights shall be submitted by a party specified in such Decision.

In other respects, general registration procedures shall be applied (see clause 4 of these Provisions).

27. The Procedures for Registration of Rights of State and Local self-government Authorities

27.1. In the event of registration of rights to real estate owned by the Russian Federation, Subjects of the Russian Federation or municipalities, they may be represented by state authorities, local self-government authorities, legal entities and individuals.

28. Procedures for State Registration of Rights that Arise from Court Decision or Determination

- 28.1. Real estate rights established by courts shall be registered by the Judicial Agency immediately upon receiving a court decision or determination without notification of the holder of rights.
The time of title transference is determined by a court decision.
- 28.2. If the court decision does not contain complete information that needs to be entered into the Unified State Title Register, the Judicial Agency shall inquire the court about the procedures of carrying out the court decision or determination.
- 28.3. The court may inquire missing information from real estate recording agencies.

PART VI. COOPERATION WITH REAL ESTATE DEPARTMENT

29. The Functions of Real Estate Department

- 29.1. The real estate department may perform some of the functions of real estate recording agencies and those of local self-government agencies within the authority delegated to it by self-government agencies.
- 29.2. The real estate department may act on behalf of applicants (legal entities and individuals) if the latter provide it with a respective agreement and/or a letter of attorney.

30. Participation in Title Registration

- 30.1. The real estate department shall cooperate with the Judicial Agency and other agencies in compliance with the procedures set up by these Provisions for entities and individuals whose functions it performs.

ATTACHMENT B - Registration Seminar Agenda

AGENDA

of the First Seminar

Title Registration: Interactions Among Rayon-based Agencies

Novgorod. June 18, 1998

9:30-10:00	Registration
10:00	Greetings by the Oblast Administration, Urban Institute and PADCO
10:30	A.McEwan, Real Estate Recording and Registration Specialist, DCO-REA: "The Role of Title Registration on Real Estate Market and Municipal Management"
11:15	Fabrichnaya T.A., Chief Registrar of Title in Novgorod Oblast: "The System of Registration in the Oblast"
12:00	Coffee break
12:20	Romanovskaya E.G., State Registrar of Title: " Unified State Title Register and Information Exchange"
13:00	Lunch
14:00	Grigorieva O.V., Real Estate Information Specialist, PADCO-REA: Draft of Model Provisions for Interaction among Rayon-based Agencies.
15:30	Coffee break
16:00	Discussion of the draft of Model Provisions
17:00	Vinogradova L.I., Head of the Judicial Agency of Novgorod Oblast Administration: Conclusions.

DRAFT

**RULES OF OPERATIONS of
Novgorod oblast justice institution for state
registration of real estate rights and transactions**

Organizational Structure

The present document regulates the work of the following organizational units of the Institution:

- Chief State Registrar
- Expert Analysis Department
- Processing and Storage Department

Accepting and Issuing Documentation

1. Documents are accepted from applicants and issued to them at the following address: Novgorod, ul.Stratilatovskaya, 19, 4th floor. Working hours (on working days only): 10:00-13:00 and from 14:00 till 17:30.
2. Documents are accepted and then issued by reception officers appointed by the Head of Processing and Storage Department from among the employees of this Department, as well as by an Expert put on duty by the Head of the Expert Analysis Department from among the employees of this Department.
3. Reception officer does the following:
 - 3.1. He compares the titles of submitted documents and the number of their copies with the list needed for registration of the right mentioned in the Application for registration;
 - 3.2. He summons the Expert who is on duty if:
 - 3.2.1. Applicants submitted a contract which was not certified by a notary;
 - 3.2.2. The applicant is a legal entity;
 - 3.2.3. There are no methodological aides for respective types of rights/contracts/transactions;
 - 3.2.4. There are doubts about the authenticity of an applicant's ID documents;

- 3.3. He calculates the amount of the fee;
- 3.4. He accepts an Application for registration and accompanying documentation;
- 3.5. He makes an entry in the Ledger of Incoming Documents;
- 3.6. He issues receipts against documents accepted;
- 3.7. He explains to an applicant the term of registration, provides contact telephone numbers.

The term of registration shall not exceed 30 days after an Application was submitted; information about the possibility of earlier completion of registration might be collected by an applicant via a contact telephone number one week after the Application was submitted.

If registration is to be completed urgently it will take 5 working days from the day when an Application was submitted; information about the possibility of earlier completion of registration might be obtained on the next working day via a contact telephone number.

- 3.8. He compiles a documentation file on which he inscribes the following with a pencil:
 - 3.8.1. Cadastre number
 - 3.8.2. Postal address of an object of registration
 - 3.8.3. Family name, first name, patronymics of the holder of the right
 - 3.8.4. Family name, first name, patronymics of the trustee;
- 3.9. In the Inventory of files which contain right-establishing documents (hereinafter, Inventory) he enters the following data as of the scheduled date of completion of registration:
 - 3.9.1. Family name, first name, patronymics of the holder of the right
 - 3.9.2. Address of the object
 - 3.9.3. Necessary actions relating to registration
- 3.10. He submits the Inventory to an expert from the Processing and Storage Department;
- 4. An expert from the Processing and Storage Department does the following:
 - 4.1. He accepts the Inventory from the expert responsible for accepting documents.
 - 4.2. He compares files with existing court rulings on the RE object and on the holder of the right; if such a court ruling exists he shall inform an expert about it when submitting files to him.
 - 4.3. Pursuant to an instruction by the Head of Expert Analysis Department he submits files containing enabling documentation to experts against their signature in the Inventory.
- 4.4. He controls how long it takes to carry out expert analysis and takes back files with enabling documentation as such analysis progresses.
- 4.5. He compares the incoming writs of execution on property attachment with the files which are being registered; towards this end he uses the Inventory.
- 4.6. Pursuant to an instruction by the head of the Department for processing and storing information, he submits files with right-establishing documents to experts responsible for executing documents for the following purposes:
 - 4.6.1. completion of a Certificate;

- 4.6.2. for stamping and sealing documents;
- 4.6.3. for attaching documents to files;
- 4.6.4. for creating a package of documents which will be issued to an applicant;
- 4.6.5. for obtaining the signature of the Registrar on a registration Certificate or on a "denial" to register.
- 4.7. He issues enabling documents and Certificates (or "denials") to applicants.
- 4.8. He records certificates and "denials".
- 4.9. He accepts requests for information on registered rights.
- 4.10. He makes entries in the Ledger of incoming requests.

Experts who accept and issue documents rely in their day-to-day activities on the Law of the Russian Federation "On State Registration of Real Estate Rights and Transactions", on methodological aides and on their leader's instructions.

Expert analysis of documents

- 5. Expert analysis of documents submitted for registration is carried out by employees of the Expert Analysis Department.
- 6. The Head of Expert Analysis Department distributes files which consist of documents submitted for registration (delivered by an expert from the Processing and Storage Department) among the employees of the Expert Analysis Department; every employee shall add his signature to the Inventory against the name of the file he received.
- 7. An employee of the Expert Analysis Department shall perform expert analysis of documents and make a decision on whether to agree to state registration or to deny it.
- 8. Expert decision shall be approved by the head of the Department for expert analysis.
- 9. In the event of positive result of expert analysis an employee of the Department for expert analysis shall make necessary entries in the Unified State Register of rights (Register), signs them and after that he returns documents and filled sheets of the Register section to an expert from the Processing and Storage Department; an expert from the records keeping department makes a germane entry in the Inventory.
- 10. Pursuant to a decision to deny registration an employee of Expert Analysis Department shall prepare his report on such a denial; then he has to return all documents to the Department for processing and storing information and has to make a relevant entry in the Inventory.

In the event that an employee of the Expert Analysis Department is unable to make a decision on whether to register or to deny registration he shall prepare an oral or written description of the situation and submits it to the Head of the Expert Analysis Department.

In the event that the Head of the Expert Analysis Department is unable to make a decision on whether to register or to deny registration he shall arrange for a meeting with the Chief State Registrar during reception hours set for such meetings.

The Chief state registrar receives employees of the Expert Analysis Department every day from 15:00 through 17:30.

If additional information from other organizations is required a germane request shall be signed by the Chief state registrar and submitted to the Processing and Storage Department for subsequent forwarding to addressee.

Documents Flow

11. Responsibility for organizing documents flow is placed with Head of the Processing and Storage Department.
 12. The Institution maintains the records as identified in the attached List.
 13. Officers of the Processing and Storage Department:
 - 13.1. Obtain the documents submitted by the applicants from the reception officers.
 - 13.2. For an object having no cadastre number, obtain confirmation of its absence from respective agency, and assign a conventional number.
 - 13.3. Check Register Cardfile for existence of a Register section for the respective object. In case such section exists, supply the documents submitted by the applicant with respective Register section and File, of which a note is made in the Register Sections Cardfile and a reference card is placed into the Register.
 - 13.4. Forward completed document files to expert analysis, of which a note is made in the Inventory of files.
 - 13.5. Receive reviewed documents from expert analysis.
 - 13.6. Provide the documents subject to return to the applicants.
 - 13.7. Transfer Register sections and Files to the archive, making respective notes in the Register Cardfile.
 - 13.8. Send requests of the Justice Institution to other organizations and institutions, of which a note is made in the Ledger of Outgoing Requests.
 - 13.9. Prepare answers to requests for information on registered rights.
 - 13.10. Make entries on requests in appropriate cards in the Register Cardfile.
 - 13.11. Place a copy of the answer to a request for information into appropriate Files for the objects.
 - 13.12. According to the established schedule, produce information (extracts from the Register) for:
 - 13.12.1. Committee on Land Resources and Land Allocation
 - 13.12.2. Bureau of Technical Inventory;
 - 13.12.3. Tax Inspection;
 - 13.12.4. District administration.
 - 13.13. Prepare monthly activity reports for the Institution.
 - 13.14. Make scheduled visits to the branches to render methodical assistance and monitor the Register-forming activities of the branches.
 - 13.15. Submit requests for blank forms and other expendables in a timely manner.
 14. The Unified Register of rights is archived in the following manner:
 - 14.1. Sections of the Register are positioned according to their cadastre (conventional) numbers.
 - 14.2. Files of right-establishing documents are kept according to the postal address of the real estate objects.
- Head of the Department will keep the files submitted for an urgent expert review separately from the files subject to an expert review under an the ordinary time schedule; both are arranged according to the date of receipt.

Documents which have to be returned to the applicants are arranged according to their cadastre (conventional) numbers.

Reception procedures

15. Chief Registrar receives citizens for two hours twice a week at the address: ul. Lermontova, 17.
16. Appointments to the Chief State Registrar are to be made with Reception Officers with regard to established reception hours (20 minutes per person).
17. Appointment may be made not later than 1 hour prior to the reception hours.
18. 1 hour prior to the start of reception the Reception Officer hands over the Reception Log to Head of Processing and Storage Department.
19. Head of Processing and Storage Department prepares materials for the files of the persons which have made an appointment and hands them over to the Chief State Registrar.

Attachments

LIST of documents maintained by Justice Institution for registration of real estate rights and transactions

N	Document	Responsible Person	Notes
1.	Ledger of incoming documents	Officer for receipt and issuance of documents	No limit on the number of ledgers kept at a given time
2.	Inventory of right-establishing documents under registration (Inventory of files)	Processing and Storage Department	Inventories are sequential.
3.	Ledger of files under expert analysis	Head of Expert Analysis Department	Internal reporting documents of the department
4.	Ledger of issued State Registration Certificates	Processing and Storage Department	
5.	Cardfile of Register sections	Head of Processing and Storage Department	
6.	Ledger of incoming requests	Head of Processing and Storage Department	
7.	Ledger of outgoing requests	Head of Processing and Storage Department	

Ledger of files under expert analysis

The Ledger will contain the following columns:

Date received by the Expert Analysis Department

Incoming number of the File of right-establishing documents

Priority status

Cadastre (conventional number of the object

Register section and File additionally provided (yes/no)

Expert analysis:

Expert's name

date and time of submission

date and time of receipt

Storage Officer

date and time of receipt

signature

ATTACHMENT D - Agenda for Second Registration Seminar

AGENDA

of the second seminar

Title Registration: Interactions Among Rayon-based Agencies
Novgorod. September 3, 1998

- | | |
|------------|--|
| 9:30-10:00 | Registration |
| 10:00 | Greetings by PADCO |
| 10:30 | A.Sobolev: "Actual Goals of Interaction among Property Cadasters and Title Register" |
| 11:00 | I.Rumiantsev: "Legal and Economic Bases for Interactions of Agencies in the framework of Creating and Using the Title Register" |
| 11:30 | Coffee break |
| 11:50 | Land Committee representative: "Creation of the Land Cadaster in Starorussky Rayon and Interactions with the Branch of the Judicial Establishment" |
| 13:00 | Lunch |
| 14:00 | Head of Starorussky Branch "Creation and Maintenance of the Unified Title Register by the Judicial Institution and Property Recording Agencies". |
| 14:30 | Head of Soletsky Branch "Creating and Using the Unified Title Register by the Judicial Institution and Property Recording Agencies" |
| 15:00 | Coffee break |
| 15:20 | Discussion of reports. Free exchange of opinions |
| 17:00 | Conclusion - representative of the Oblast Judicial Establishment for Title Registration |

ATTACHMENT E - Property Information Check List Item #3 - Information Checklist

Real Estate Site Analysis Checklist

Appendix II SITE OWNER:

Full name:

Address of owner or his representative:

Rayon Administration (authorized official):

Appendix III SITE LESSEE:

(including all lessees and holders of perpetual permanent use rights)

Appendix IV LAND USE RIGHTS:

The boundaries were established and the property described in (date) and was allocated to (whom, for what use).

The right of (ownership, leasehold, sublease) was registered

Buildings and premises located on the land parcels are owned by and registered (by whom, when, enlist).

On-site utilities (description, ownership).

Encumbrances (use designation, registered zoning restrictions for land use and development, etc.)

Appendix V ON-SITE FACTORS:

The land parcel is a (fenced, partially fenced, unfenced) site of(size)sq.m.

The parcel was surveyed (not surveyed)

The boundaries were established (not established)

Registered servitudes and encumbrances

Cultural landmarks and historical monuments (if registered).

Soil conditions (e.g.: Soils permit all types of civil construction)

Terrain

Flood and subsidence danger

Code of socio-economic district (or tax zone code):

Land leasehold rates: 1996,1997, 1998,1999.

Land tax rates: 1996,1997, 1998,1999.

Appendix VI UTILITIES:

Electrical power service (none or electricity is supplied by means of a power line with the capacity of). The site contains a transformer sub-station owned by (name, owner, contact person, address, telephone) with transformers that completely

satisfy the need for electricity. In addition, the site is hooked to a reserve power line with the capacity ofrunning from a transformer sub-station (owner) that can be used in case of emergency.

If electrical power is not available, state possibilities for connection, approved capacities (if any), costs of works including planning, connection, installation of power lines, construction of a sub-station, etc. (company's name, company's representative).

Heating (available or not, type of boilers and their working condition, type of fuel, capacity).

Gas (state if medium pressure gas is available and what pipe diameter is. What is gas capacity and who designates it, address, telephone, authorized representative. If gas is not available, what is the potential for connection, distance to the nearest pipe line, connection costs).

Water (see information required under "gas"); potential for independent water supply (who approves the project, who approves water capacity, who is responsible for construction and supervises the system)

Sewer. (Information on municipal sewer and drainage, estimated construction and connection costs, capacities, authorized representative).

Environment. Soil contamination, water and air pollution, if any, statement of environmental condition (who issued or can issue an environmental condition certificate).

Fire danger: (distance and ownership of the nearest fire station).

TRANSPORT:

Access to air lines, railway stations, highways and navigable water.

Transportation (access to the site, approvals by police inspection (GAI) and other agencies concerned), landscaping and road improvement (if required).

Railway spur (potential for railroad connection).

Railway planning (address, contact persons)

Construction company (address, contact person).

Railway service is provided by (address, contact persons, service rates)

Planning and construction costs of 1 m of a railway spur will be -----\$, as estimated by experts (address).

Cargo water transport (availability, nearest docks, required approvals, service rates).

IDENTIFIED DAMAGES IN OPERATING UTILITIES AND REQUIRED REPAIRS

on the site or neighborhood.

(Electrical power service, heating, sewer, road construction, gas, anti-fire system, necessary road and ground works)

ATTACHMENT F - List of Property Reports (contained in “Appendix” to Roll-out Manual

ITEM #1.1 - Borovichi Site

PROPERTY DESCRIPTION

Location: 30 Metallistov St., Borovichi, Novgorodskaya Oblast, Russia

ITEM #1.2 - Malaya Vishera Site

PROPERTY DESCRIPTION

Location: Meretskova Street, Malaya Vishera, Novgorodskaya Oblast, Russia

ITEM #1.3 - Staraya Russia Site

PROPERTY DESCRIPTION

Location: 29 Nekrasova St., Staraya Russa, Novgorodskaya Oblast, Russia

ITEM #1.4 - Valday Site

PROPERTY DESCRIPTION

Location: 392 km, Moscow-St. Petersburg Highway (M10) Valday, Novgorodskaya Oblast, Russia

ATTACHMENT G - Agenda for Land Market Seminar

The United States Agency for International Development
USAID Project for Novgorod Oblast "Regional Investment Initiative"
DEVELOPING A LAND MARKET

AND PREPARING FOR INVESTORS

*Seminar for Local Government Administrators
And Enterprise Managers*

June,30,1998

- 9:30 Registration
- 10:00 Introduction (Vladimir Alfimov, Oblast KUGI Chairman)
- 10:15 *The Goals of the Seminar (Richard Miller, CoP Land and Real Estate Reform Sector, RII)*
- 10:30 Relationship between Real Estate and Economic Development (Steve Dixon)
- 11:00 Investor's Perspective on Russian Market (V. Miagkov)
- 11:15 – 11:30 Coffee Break
- 11:30 Ownership Rights vs Leasehold rights (V.Miagkov)
- 12:45 Legal Issues for Land Privatization (V.Miagkov, S.Dixon)
- 13:30 Lunch Time
- 14:00 Land Inventory and Site Selections (S.Dixon)
- 14:40 Property Documentation (A.Favorskiy, V.Miagkov)
- 15:00 Determining Market Value of Land (V.Miagkov)
- 15:45 Planning Auctions and Tenders (N.Lepeshkin, City Land Committee)
- 16:00 Marketing and Advertising (S.Dixon)
- 16:30 Questions/Answers Discussion

ATTACHMENT H - Table of Contents for Guide for Development of a Land Market

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Appendix III. Stimulating Land Markets

B. Draft of Oblast Raion-municipality Land auction preparation process

WORKPLAN FOR NOVGOROD OBLAST MARKETING EVENT

No	Tasks	Party	Start Date	Date Compl.	Work Product	Paid By?	Remarks
1	Property Selection	PADCO/Raion Oblast	Oct. 1, 1997	Feb. 15, 1998	List of properties	PFF	Site visits and raion mtgs.
2	Preparation of Property Detail Information	Raion	Oct. 20, 1997	Feb. 28, 1998	Complete data files	Raion	PADCO will monitor & assist
3	Data Review and Investor package preparation	PADCO/Raion	Dec. 15, 1997	Mar. 15, 1998	Final package ready	Raion	PADCO will advise & assist
4	Event planning, design investor pre-qualification profile & site use conditions a- establish event type b- select event location c- select event operations team d- identify properties to be sold/leased e- select marketing team f- lawyers & officials establish investor pre-qualification characteristics g- lawyers & officials establish property use conditions & development plans	PADCO/Raion Oblast	Jan. 12, 1998	Mar. 31, 1998	Legislative drafts, event date, site, type	PFF/Oblast	COP/Miller & Working Group will coordinate all parties
5	Marketing plan development & Bid package prepared. a- establish event participant profile & create mailing list b- conduct media cost survey & establish event media budget c- begin design work on event bid documents & promotional brochures d- set advertising schedule & implement	PADCO/Oblast	Feb. 15, 1998	Mar. 31, 1998	Advertising plan	Oblast/Raion	Funding sources must be identified. Bidders buy package

	Complete/distribute Information Packets						
6	Oblast issues necessary regulations for event a- Governor & local Duma draft & approve required regulations to authorize event & procedures. b- set up bank accounts for deposits	Oblast/Raion/R II	Jan. 12, 1998	Mar. 31, 1998	Final Duma & official signatures	Oblast/Raion	PFF will provide legal support
7	Site boundary markers set a- set temporary boundary line markers b- obtain bids from survey companies to perform official cadaster plan.	Raion	Feb. 28, 1998	April 30, 1998	General plot plans	Raions	Final cadaster survey after event
8	Utility monopoly negotiations a- locate and map nearest connection point to each utility source line b- get written conditions from utilities	Oblast/Raion	Jan. 12, 1998	April 30, 1998	Infrastructure scheme & cost estimates	Raion/ Monopoly	Scheme should show nearest supply line & est. cost to site
9	Assemble Investor mailing list a- contact each foreign consulate commerce officer for list of companies interested in Russia b- create list of major western real estate brokers c- create list of known investment funds d- create list of all entities who contact city & oblast for information on investments e- Design, approve, and fund advertising campaign	PADCO/ Oblast	Feb. 1, 1998	Mar. 31, 1998	Name & address list	PFF	Assistance from Consulates
10	Finalize Event Agreements a- lawyers & officials agree on final event documents	Oblast/PFF	Feb. 15, 1998	April 30, 1998	Purchase forms & bid documents	Oblast/ PFF	PFF legal support
11	Establish Bid Review Committee a- Oblast creates Committee through official decree b- Oblast sets Committee procedures c- Oblast appoints Committee chairman & members Establish "registration" requirements and	Oblast/Raion	April 1, 1998	April 30, 1998	Official List Approved	Oblast	PFF provide legal & technical support

	assign responsibility						
12	Establish Post event schedule to finalize sales a- set clear, specific procedures for completion of each transaction b- set time schedule for completion of each procedure c- identify which official or administrative department is responsible for completion of each procedure	PFF/Oblast/Raion	Mar. 1, 1998	April 30, 1998	procedural checklist	PFF/Oblast	PFF provide technical support
13	Pre-Event Marketing Fair (if held)	PFF/Oblast	Feb. 1, 1998	April 15, 1998	Event Completed	Oblast	PFF provide technical support
14	Site Signage "Pre-auction Information Activities" a- design & order billboard type sign for each site b- erect signs on sites c- Distribute Information Packet d- Conduct Site Orientation meetings e- Pre-auction Information Conference f- Last day to distribute Information Packets and register participants	Raion	Mar. 1, 1998	April 15, 1998	Each site w/signage	Raion	PFF provide technical support
15	Event or Bid Submission Deadline a- establish specific procedures for receiving of bids b- establish procedures for handling deposits c- establish procedures for bid reviews & criteria for analysis of each bid d- Conduct Auction	PFF/Oblast/Raion		May 15, 1998 6th of June	Event or bids	Oblast/Raion	Bidders will provide Letter of Credit as deposits
16	Bid Approvals & Notification a- set schedule for bid review & analysis b- set schedule for final decision & method of notice to winning bidder. c- set procedures for public notice to media of bid results	Oblast	May 15, 1998	June 15, 1998	Accept/Reject Bids	Oblast/Raion	Bid Review Committee recommends & official signs

17	Winning Bidders sign Buy/Sell or Lease Agreement a- establish who will sign agreements b- set schedule for each transaction completion c- establish transaction file & who will be responsible for monitoring each file	Oblast/Raion	June 15, 1998	July 31, 1998	Final Agreements	Raion	PFF provides legal support
18	Raion/Oblast receive bidder payments a- establish bank accounts for receiving funds b- set criteria for distribution of proceeds c- Winners, sellers execute lease or sales documents	Bidder/Oblast	June 15, 1998	7 July	Funds Received	Bidder	
19	Bidder starts development processes	Bidder/Raion	June 15, 1998		Approvals/Certificates		Normal approval process

C. PADCO Recommendations on Proposed Future Activities in Land Titling and “Pro-Active Marketing”

August, 1998

Sub-Task a: Land Title Registration

Financial Sustainability Analysis

The local governments and many oblast governments in Russia have limited resources and the most promising form of new revenues is property tax. Property taxation is dependent upon a fiscal and a legal cadastre, a property registration system. If the later is not financially sustainable or sustainable to the extent that it is not legally fully dependable for both the public and private sectors, it will fail in its objective.

RECOMMENDATION: USAID should develop a module for the proposed property registration procedural guidelines manual that addresses financial sustainability, in abstract, using fee structures proposed by the RF and various assumptions about the types and numbers of fee earning transactions/registrations.

Multiple Amendments to the Scope of Work

While a concern due to the limited resources under the task order, nevertheless the ability to respond to the changing needs of the clientele is what made this assistance successful.

RECOMMENDATION: USAID should design technical assistance programs with the flexibility and provide the contractor with the authority to quickly respond to changing priorities and needs in order to meet agreed upon strategic objectives.

National Model

Finally the RF legislative mandate is in place to fully establish the infrastructure for property registration and the protection of private property rights.

RECOMMENDATION: USAID should utilize the products of this task order and, with additional resources through DURER or another vehicle, prepare a guide or manual that can be disseminated throughout the federation.

Sub-Task b: Pro-Active Land Marketing

Ownership Rights

The land privatization process has virtually ground to a halt. Not only have many oblast and local officials in cities like Novgorod resisted the sale of ownership rights, they have passed ordinances that make privatization economically unattractive. Investors have demonstrated that secure ownership rights are much more attractive to them than the right-to-construct/leasehold option.

RECOMMENDATION: USAID should continue the efforts of this project in uncovering and then solving the outstanding issues surrounding the sale of ownership rights, both at the local, regional and national levels. Novgorod Oblast may not be as receptive as other oblasts like Samara.

RF Land Ownership

The fact that the RF has not transferred property within local jurisdictions to those jurisdictions means that ownership rights cannot be sold as the municipality cannot prove ownership and the right to sell.

RECOMMENDATION: USAID should support further efforts at the RF and the regional levels to develop model procedures for this transfer to occur. If this process is not sufficiently legally documented the underlying rights to the properties involved will be compromised.

Normative Land Pricing

The action of the Novgorodsky Oblast Duma in passing an act that raises normative prices for land to levels above current demonstrated market values effectively halts land privatization whether this was the intent or not.

RECOMMENDATION: USAID RII coordinators should discuss this directly with the Oblast leadership and seek reconsideration of this act as it undermines the principal objectives of the RII Program, the stimulation of investment.

Utility Restructuring

The impact on land values of under investment in municipal infrastructure has been largely overlooked. The negative impact on land privatization and investment is obvious.

RECOMMENDATION: USAID should recognize this interrelationship in their current and future programs, seeking ways to mitigate and quickly overcome this negative impact. Further, USAID should continue to support the efforts of the IBRD and EBRD in the financial and institutional restructuring and channeling financing to utility companies in Russia.

Appendix - IV. Priority Sub-tasks

A. "Special District" Materials

Introduction Paper

The following material was distributed at a training seminar conducted in Valdai, on the 14th of July, 1998

NOVGOROD REGIONAL INVESTMENT INITIATIVE LAND REFORM SECTOR IN NOVGOROD OBLAST MUNICIPALITIES PRIORITY SUB-TASK 2/a: PUBLIC INFRASTRUCTURE STRATEGIES "SPECIAL INVESTMENT AREA CONCEPT"

THE NEED: In order to improve its economic condition, Novgorod *Oblast* and its local governments must restore its industrial-manufacturing zones to productive use. This restoration depends on successfully attracting private investment to construct and operate manufacturing plants. A strategy which combines land reform (privatization) with economic development and systematic construction of infrastructure is recommended to attract private investment into this area.

THE SITUATION Throughout the urban communities are large areas which were designated for "industrial" land uses, such as manufacturing enterprises. Many of these enterprises are bankrupt, and many others are operating at a much lower level than they were before 1990. The environment within these industrial areas has deteriorated, as many factories and industrial buildings have been abandoned, with no replacement activity having been found. Such abandoned, deteriorated industrial areas are called "Brownfields" in the industrialized countries of the world.

THE SOLUTION: A "Brownfields" redevelopment strategy which combines...

- Economic Development through recovery of land sites in these areas and orderly marketing of these sites to private investors
- Infrastructure Improvement through systematic, economical maintenance and new projects within these areas

THE RECOMMENDATION (Map II): Treat these areas as "**Special Investment Districts**" where effort and money are directed to:

- Implement "Pro-active land privatization," preferably through an Economic Development program to prepare and "market" sites for transfer to private investors
- Plan the system of infrastructure so that it can be maintained better and be extended to serve additional areas economically
- Introduce a system of Land Use Regulation which will ultimately lead to areawide "zoning" to designate land use
- Establish reliable ways to pay for the Economic Development and infrastructure improvements around these sites

ECONOMIC DEVELOPMENT: PREPARING AND MARKETING SITES FOR INVESTMENT

The first thing which is needed is to prepare and market industrial land sites to private investors. In 1998, the *city administrations of small municipalities in Novgorod Oblast began* undertaking a program of "pro-active land privatization," most of which affects *their* largest industrial sections. These industrial zone are occupied by many obsolete buildings and bankrupt enterprises; such areas are often referred to as "brownfields." As part of *their* "pro-active land privatization" program, the cities *considered the following preparations and marketing activities::*

- Preparing: Taking a land inventory and identifying underused land sites;
- Preparing: If there are "objects" on these sites, the administration negotiates with current users to return part of the land plots to administration for future marketing. The current user continues to use the "developed" portions of the allocated sites. (If these sites are vacant, then the administration seeks to have these properties identified as "municipal"; if the properties are qualified to be "municipal," then the administration proceeds with the necessary steps with the oblast and the RF to declare them to be "municipal" property.)
- Preparing: Following negotiations, the administration removes obsolete, unusable objects
- Marketing: Administration advertises and publicizes sites for use to private investors
- Marketing: Administration sells property through its "economic development program" or conducts a "marketing event" (an auction or tender) and obtains buyers for properties
- Marketing: Administration and the new buyers negotiate for sale or lease; following its acceptance by both parties, the administration assists buyers in obtaining fast approvals for permits and other necessary actions to construct ("develop") improvements on the property

THE NEED...AN ECONOMIC DEVELOPMENT PROGRAM AND A FUNDING SOURCE

- To continue the "pro-active land privatization" program for many years, until all these "brownfields" have been returned to productive use through successful investment

- To provide a source of money to pay for “Preparing” and “Marketing” in order to attract this new investment

INFRASTRUCTURE IMPROVEMENT: INFORMATION AND PLANNING

The City Administration and several Utility monopolies are responsible for designing the systems of infrastructure which serve these areas. At the present time, there is a need for a better planning because...

- maintenance of the existing systems is poor
- construction of new systems is nearly impossible
- improvements to some large facilities (water treatment plants and solid waste disposal sites) is necessary and will be more so in the future

Providing a complete, well-maintained system of infrastructure must be done in order to attract private investors. If these investors are confident that the roads, water lines, sewers, gas connections, and electricity will be adequate, they will be attracted to the area; if not, they will look elsewhere.

There are two issues: Information and Money. Information about the Infrastructure should be collected. This will result in...

- Better planning for Infrastructure will result as each individual service provider can understand the plans of the others. If there is better planning, money will be saved as unnecessary projects are eliminated in favor of projects which don't duplicate or contradict others
- Better planning for private investors will result as each individual can make better judgments about the risk of constructing a plant within the zones

To assemble information about infrastructure, an...

INFRASTRUCTURE PLAN

...should be prepared for the area inside the Special District. It should show *both* “Existing” and “Proposed” facilities—pipelines, streets, power stations, water cleaning plants, and the like. Each service provider should enter on to the plan the facilities for which it is responsible. Once this Infrastructure Plan is prepared, then one of the conditions for raising money will be improved.

NEW FUNDING FOR ECONOMIC DEVELOPMENT AND INFRASTRUCTURE IMPROVEMENT

The *main* problem is money. At the present time, each responsible provider collects some money from land users in the area through taxes and rents (the city administration), service charges (utilities), and other sources, such as technical conditions (new private investors) and governmental gifts. Small amounts of these revenues used for infrastructure maintenance and construction. More must be found in order to implement a system of systematic, well-planned, well-maintained infrastructure.

THE SOLUTION: Create a "pool" of money which can reinvested in the Special *Economic* District in order to achieve the results which were described above. Some money would be provided by the Administration, drawing funds from:

- revenues which are realized from successful "marketing" of properties through "pro-active privatization"
- other sources, as determined by the Administration Some money would be provided by the private new investment, drawing from:
- revenues from development charges;
- a different system of calculating the "technical conditions" which are usually applied by utility monopolies against the new construction on land sites;
- other sources, as determined by cooperation between the city administration, the utility monopolies, and the private investors

In the case of very large and expensive projects, some money would be provided by financial organizations who would "loan" money for construction. When this becomes necessary, the repayment of the loan would be made from money in the "pool" of money, which would be called the...

INFRASTRUCTURE ACCOUNT

The Infrastructure Account should be coordinated with the Economic Development Account so that money which is spent for one activity should be supported by money spent for the other. In this way, money is spent wisely by supporting the overall objective of returning unproductive land to productive use. In addition, because some of the funds from one program (such as "pro-active land privatization") would be used to help set up the Infrastructure Fund, there should be a large measure of coordination by the City Administration.

2. Description of Proposed Velikii Novgorod "Special District"

The following was distributed to the City of Velikii Novgorod in February, 1998

**NOVGOROD REGIONAL INVESTMENT INITIATIVE
LAND REFORM SECTOR IN NOVGOROD CITY
PRIORITY SUB-TASK 3/a: PUBLIC INFRASTRUCTURE* STRATEGIES
"SPECIAL DISTRICT CONCEPT"**

Concept: Create within Novgorod City: (1) a "Special District for Economic Development and Infrastructure Construction"; (2) the financial arrangement to help pay for economic development activities and construction of necessary facilities within the special district; and (3) the preparation of an Infrastructure Plan to guide the installation and maintenance of essential facilities within the district

What is the district? The area to comprise the district will be shown on a map. The district boundaries will be established by the city administration for the purpose of attracting private investment to create jobs for Novgorod's citizens. Most of this proposed area has already been designated for "industrial" uses by the "Rules for Land Use and Development in Novgorod," adopted in 1997. The district will establish the boundaries for special redevelopment activities, such as performing land management and marketing activities, constructing infrastructure projects, and collecting money from property owners which will pay for infrastructure.

Why should the city create such a special district? A strong base of employment is essential to the economic and fiscal condition of Novgorod. The source for enlarging this base will be private capital which will be invested by entrepreneurs into plants, factories, warehouses, and similar job-creating enterprises. The existence and maintenance of adequate infrastructure is important to attract this private capital to Novgorod. If this infrastructure is provided through a timely and well-planned program, then the city will be more attractive as a place for private investment, especially in competition with other Russian cities, because entrepreneurs will see less "risk" in investing in land and property. If this infrastructure investment program is also supported by activities to "market" property sites in the district, then the likelihood of attracting private capital is increased. Finally, if it is "targeted" within a special area, this investment activity will create economic efficiencies in terms of service costs.

Once private capital is attracted, it will: (1) create new jobs; (2) increase the base on which property tax revenues can be generated for the costs of administration of the city; and (3) help to stimulate the development of a market in private land and property within the city and the region.

How will the financial arrangements be created? In 1998, the city can establish a special account to help pay for the necessary economic development and infrastructure projects. This account will receive revenues as appropriated by the city administration and duma and will disburse money to pay for the two activities which are to be undertaken within the district—economic development (through property management and marketing) and infrastructure construction. After one or two years' operation with this arrangement, the city may determine that a more formal structure will be necessary to carry out the redevelopment of the area. In such an event, the city will pass a law which authorizes unique fee collection practices from property owners and land developers inside the district area. This law will describe the purposes for creating the district, its management, the sources of revenue to be collected, the allowable expenditures to be made, and its system of operation. The outline of such a law is included later in this paper (Item No. 7).

What is an "Infrastructure Plan?" The Infrastructure Plan for the Special District will show all existing and proposed infrastructure facilities and will provide a list of estimated costs for each proposed new project. The plan will be approved by the city administration, which will base its approval on recommendations made by those utility providers responsible for fresh water, waste water, electric power, roads, bridges, stormwater drainage, street lighting, traffic control, and others. The Infrastructure Plan will show: the location and general size of existing and proposed infrastructure facilities (see "definitions"); the dates proposed for construction of new projects; schedules for facility replacement or major maintenance; cost estimates for new projects; and the physical relationship of these with the physical cadastre of the city.

How will this special district operate? The city administration's operations will be based on these activities:

- Promote economic redevelopment through property management and marketing, such as preparing properties for sale by demolishing buildings, clearing land, creating new land parcels, and establishing conditions for future construction of plants, factories, warehouses, etc., on site.; AND conducting "marketing campaigns" to notify potential investors of the availability of properties within the district.
- Adopt an Infrastructure Plan which shows existing infrastructure facilities and proposed infrastructure projects
- Undertake new infrastructure project construction which conforms to the plan.
- Assist new investors to undertake the development of their properties, to assure that it results in the construction of new, employment-generating factories, warehouses, offices, hotels, and similar economically-beneficial investments
- Collect and administer money for the "special account"

In summary, the financial and administrative principles on which this district will operate are:

Financial support of a fund, referred to as a "special account." Revenues to support the fund will be appropriated by the city. In the future, after legislation is passed by the city administration and duma, the revenues may consist of: special fees (such as revenues from "technical conditions" which are now levied on newly-privatized parcels); revenues from sale of municipal property resulting from its "pro-active land privatization" program: a percentage which may be retained from land rent revenues paid by properties within the district; and other

sources authorized by the city administration. The Fund would be comprised of two accounts: one for "economic development" the other for "infrastructure finance."

Adoption, and periodic updating, of an "infrastructure plan" for the area. This plan will show all existing and proposed infrastructure elements and will provide a list of estimated costs for each proposed element. It will be approved by the city administration, which bases its approval on recommendations made by those utility monopolies who provide fresh water, waste water, electric power, roads & bridges, stormwater drainage, street lighting, traffic control, and others.

Management and operation of a special account to pay for the costs of redeveloping the area, especially undertaking an economic development program and constructing new infrastructure..

4. Expenditures from the special account will pay for costs of:

Demolition and removal of municipally-owned property objects which are declared to be "obsolete" by the city administration

Marketing municipally-owned land and property objects to private investors

Planning, design, construction, maintenance, repair, replacement, and removal of infrastructure facilities and systems which are part of the "infrastructure plan"

Principal and interest of those debt obligations ("bonds") which might be issued to pay for major infrastructure projects

Adherence to a policy that all expenditures from the special account are to provide benefits for the area within the district, (even though an actual facility, such as a water cleaning plant, might be constructed outside of it).

Given the complexity of the arrangements to establish the district and capitalize the special account, it is likely that the realization of the entire concept will take several months and perhaps years to be fully realized. Even though they mutually support each other, these arrangements are useful enough to justify being implemented individually. For instance, preparing and adopting an "Infrastructure Plan" will foster cooperative planning by the individual utility providers and certain government agencies. This step alone will improve the quality of planning and reduce the likelihood of overlapping or competing projects. It will also produce a clearer forecast of future project activities which have been proposed. Both of these results will encourage the attraction of investors to the area because their information about future plans will help to reduce their perception of "risk" involved in the proposed investment.

Likewise, creation of a special account with dedicated revenue sources will provide flexibility for project planning. Systematic project construction will replace incomplete piecemeal endeavors. Property management and marketing can be undertaken in an orderly schedule. Ultimately, this account will form the basis of a fund which can be leveraged into "bond" funding. The ability to maintain accounts such as this fund helps to attract lending resources.

Implementing the Concept

The following table indicates a generalized listing of activities which can be taken by the city. Item 1 should precede all the others, because this step is necessary to declare a "policy" which justifies special treatment of one particular area of the city for economic development and infrastructure construction. However, after this policy action is taken, the subsequent activities need not be taken in numerical sequence. Creating the "Infrastructure Coordinating Committee" requires the full participation of the non-governmental utility monopolies. It is essential before any "Infrastructure Plan" can be prepared or any expenditures for infrastructure would be authorized under the new arrangement. On the other hand, undertaking the Economic Development Program requires administrative costs on the part of the city, and is therefore largely independent on creation of some favorable budget action, if not a separate "Fund." Economic development activity need not await the cooperation of the Utility Monopolies, establishment of the Coordinating Committee, or the adoption of an Infrastructure Plan. However, all these marketing activities will be far more successful if they are undertaken in a consistent schedule with the Infrastructure Plan and a means to carry it out through money provided by the Special Fund.

Actions to implement this concept (Details for each "Item No." are explained on following pages)

Item ¹	Outline of Actions	Implementation Steps and Programs	Responsible Structure	Timing and Comments
1.	Legislative Action: Resolution on Policy	A. Prepare the draft statement of policy and determine what legal actions are necessary to implement this policy B. Approve the draft. C.. Negotiation and amend according to Utility Monopoly comments which are connected with the topic.	A. Agency of economic development and investment policy. Legal Department Finance Department B. City Administration C. Utility Monopolies City Administration adopts resolution as required by law	States that economic development is policy, land privatize. Should be done to develop key areas; identifies "special district"; sets up "Inf. Plan" and Infrastr.. Plan Committee
2.	Organization Action: Infrastructure Plan Coord. Committee	A. Identify the individuals who should participate in this committee B. Prepare Infrastructure Plan C. Approve Infrastructure Plan	A. Utility Monopolies and City Administration B. Infrastructure Plan Coordinating Committee C. City Administration	
3.	Organization Action: Special Account	Administrative (legal?)	Finance Department, Utility Monopolies	See Comment Below
4.	Organization Action: Economic Development Program	A. Designate responsible officials and staff within the city administration B. Prepare Economic Development Program C. Approve Economic Development Program	A. City Administration B. Agency of economic development and investment policy (?) C. City Administration	See Comment Below
5.	Organization Action: Infrastructure Implementation	Designate responsible officials and staff within the city administration	City Administration, Utility Monopolies	
6.	A. Special Account Actions	A. Collect and deposit revenues, as permitted by policy and law; authorize expenditures for infrastructure projects and for property management/marketing	A. Finance Department	A. Proceeds from "pro-active land privatization might be used to establish Fund in 1998

	<p>B. Infrastructure Program Actions</p> <p>C. Economic Program Activities</p>	<p>B. Design, construct new infrastructure projects Maintain, repair, improve existing facilities</p> <p>C. Prepare additional sites for future marketing; demolish buildings; Conduct systematic marketing of sites within district</p>	<p>B. Novgorodgrazhanproekt designs; private contractors construct; utilities maintain</p> <p>C. City Administration</p>	<p>B./ C. activities may begin upon creation of "Special Fund," or other city budget action</p>
7.	Legislative Action: Create Special District	Pass legislation to create the Special District as a special financing area with its own financing and budget,	Legal Department Utility Monopolies Finance Department	If progress is fast, and there are no legal problems, then the city might create district in 1998

Notes and Explanation of "items" No. 1, 2, 3, 4, 5, and 7

Item No. 1. Legislative Actions: Resolution on Policy: A дума resolution would state that economic development is objective of city and that land privatization contributes to economic development; authorizes land privatization through marketing event in 1998; authorizes future land privatization through "systematic program" of site preparation and marketing within special district; authorizes preparation and periodic updating of "Infrastructure Plan" within special district; and authorizes funding arrangement to carry out economic development and infrastructure construction in district

Items 2, 3, 4, and 5. Organization Actions:

Item No. 2: Infrastructure Plan	Item No. 3: Special Account	Item No. 4: Economic Development	Item No. 5: Infrastructure Implementation
1. Identify and Map "Existing Conditions"	1. Receive and deposit Funds from authorized sources	1. Collect Data (see following pages for data)	1. Identify size of Proposed Projects
2. Analyze Current Service and Identify Needs (see following pages for data)	2. Analyze money requirement for Economic Development Program	2. Prepare Analysis of Conditions	2. Identify location of repairs and maintenance of existing facilities
3. Identify "Proposed Projects" on Map	3. Analyze total money necessary for Infrastructure Constr. & Maintenance	3. Identify Property Activities by Year	3. Estimate Costs of "1." And "2." Above
	4. Make payments as required	4. Estimate Costs of Activities	4. Inform Plan Committee & Special Fund

Item No. 2. Infrastructure Plan

Activities;

I. Collect data about the Area

:

Prepare a Map showing boundaries of area; streets; rivers; railroads. Title of Map: "Infrastructure Plan—Special Economic Development and Infrastructure Planning District"

Text of plan would include a statement describing "Infrastructure Plan"; definition of "infrastructure;" description of "infrastructure planning process"; summary of existing and proposed infrastructure; identifies who is responsible for designing, constructing, maintaining, repairing, removing, and operating infrastructure facilities; identifies who is responsible for revising Infrastructure Plan and how it is amended; identifies how new projects are paid for and existing facilities are maintained

Prepare a series of maps, as follows: (1) showing streets, boundary lines of special district, railroads; (2) showing "existing conditions" e.g, .land uses, environmental conditions, existing "objects," and property lines, if known; (3) existing infrastructure: Improved streets (including curb/gutter, lights, and street names), Water lines, sewer lines, stormwater drainage systems, power lines, gas lines (including pressure and diameter), heating lines, and Proposed projects for new infrastructure.

Prepare maps at scale of 1:500 as "working maps"

Prepare map at scale of 1:5000 as "Infrastructure Plan"

"Proposed Projects."

Prepare a second overlay at the same scale, showing "proposed" infrastructure projects for each type of utility

Prepare a New "Infrastructure Plan" map each year which updates information on completed projects and identifies new projects to be undertaken. Specify whether these projects will be taken in one, two, three, four, or five years, and identify the year in which the projects are proposed to be undertaken on the map.

Assign responsibility for preparing a new Infrastructure Plan each year

Item No. 3. "Special Account": No further explanation necessary

Item No. 4. "Economic Development Program" Contents and Activities

Collect data about the Area

Measure the total land area and collect data on:

Area in use: industrial, industrial "obsolete"; industrial "vacant"; residential "individual" residential "multi-family"; utilities and railroads; other uses

Total no. of enterprises; no. of employees working in these enterprises; total no. of dwelling units; no. of residents in these dwelling units

Assign responsibility for collecting data and checking the accuracy in the field

Prepare analysis of area:

Measure the characteristics of Area in use: Employees or residents/hectare; No. of vehicles; Property Value as reported; Property Tax Revenues; Other Tax Revenues;

Same information for Area "not in use"

Same information for Areas used by utilities and railroad; streets & row's

Location of new (e.g., less than three years old) buildings and factories; area in m2 of new buildings and factories; cost (if available)

Location of new (e.g., less than three years old) firms or enterprises; no. of employees; income (if available)

Show this information on another map (or overlay) at a scale of 1:5000

Assign responsibility for preparing a new Economic Development Plan each year and show new activities which are proposed on a map at the same scale.

Prepare a Map each year which updates information on land sites that have been prepared for "privatization" and those which are proposed for new demolition or redevelopment work. Maps to be prepared showing streets, boundary lines of special district, railroads; showing "existing conditions" e.g., land uses, environmental conditions, existing "objects," and property lines, if known;

Prepare a Statement describing Economic "Development Planning Process"; definition of property management, property marketing, identifies who is responsible for identifying properties to be privatized; what department carries out property management; identifies how the plan is amended each year.

Definitions used in this paper:

1. *Bonds*: Certificates or other evidence of indebtedness for a loan, which are issued in the name of the government (or sometimes a non-governmental debtor), and represent a guarantee of repayment of debt and interest. At the present time, neither the city nor the oblast of Novgorod has issued any bonds, and they are still experimental in Russian financial practice.
 2. *Costs of administration*: Expenditures for personnel and related management costs to oversee and supervise an activity
 3. *Costs of construction*: Expenditures for materials and labor to install, fabricate, erect, assemble, and otherwise build a project
 4. *Financing*: Obtaining or providing the money to pay for an undertaking such as construction
 5. *Infrastructure facilities*: The systems of wires, pipelines, towers, pumping stations, streets, bridges, treatment plants, generators, boilers, towers, parking areas, traffic control devices, and similar installations which make up the network to provide utility and transportation services.
 6. *Infrastructure Project*: The design and construction of new infrastructure facilities
 7. *Property Management*: The preparation of sites (land) for transfer from municipal to private ownership (either lease or sale). It includes these steps: Inventory land and objects, identify objects for demolition, demolish objects, and create parcel boundaries for sale to private sector.
- Property Marketing*: Publicizing the availability of sites which have been prepared for private ownership. Marketing may be accomplished through advertising, the use of agents, and other marketing media to solicit interest from investors in acquiring property.

Utility Monopoly: The following organizations:

Name of Service	Name of Entity (Contact Official's Name)
Gas Lines	JSC "Novgorodoblugas"; "Novgorodmezraigas"; (Kirlyuk, S.S.)
Electricity	JSC "Novgorod regional public electric wires" (Piluggin, G. F.)
Water	ME "Novgorodskii Vodokanal"; (Chertolin, M. P.) Novgorod Region Water Committee; (Frolov, V.,A.)
Wastewater	ME "Novgorodskii Vodokanal" (see above)
Heat	ME "Teploenergo"; (Lentovskiy, Y. V.)
Streets and Traffic Controls	MO "Customer Service in Housing Utilities"; (Ivanov, A. M.) Transport, Connection, Energy Committee; (Sarin, V. P.)

Item No. 7. Legislative Actions: Create "Special District": Following is an "Outline of Proposed Legislation to Authorize a Special District for Economic Development and Infrastructure Finance in Novgorod City"

Purpose of the Special District

Findings: There is a need to attract private capital into Novgorod in order to generate new employment and improve the income of its citizens. An area has been identified which will serve as the location of enlarged and improved industrial plants as well as new factories. This area should be actively promoted as an investment location and should be equipped with a reliable funding arrangement for the construction of necessary infrastructure to better serve existing and future industrial operations.

Purpose: To create a special financing arrangement which will provide a high level of infrastructure quality and assure the continued orderly enlargement of the city's industrial base.

Definitions to be included in the legislation: Administration; Assessable improvements ("objects"); Bonds; Costs of administration, construction, financing, infrastructure facilities, maintenance, marketing, planning & design; Project;

Creating the District: To be done by the city дума (with or without RF and/or oblast authorization?); defined by map showing area

Control and Management of the District: To be done by the city administration, with appropriate advice from the responsible utility authorities.

The administration shall provide administrative supervision of employees of the district, assure the appropriate updating of the Infrastructure Plan, order or prepare plans and designs for new infrastructure projects; supervise the construction of these; prepare schedules for, and carry out maintenance and repair of existing infrastructure facilities; undertake marketing programs, including preparation of sites for marketing, publicity campaigns, sales events, and otherwise support negotiations leading to property transfers

Funding the Costs of the District. Establish a "District Fund" to be derived from: (1) a _____% retention of the district-originating land rent or property tax revenues; (2) the impositions derived from "technical condition" charges levied on transferred property; (3) other development fees or charges which are authorized by the дума. These fees will be deposited into a Special District Fund, which itself may comprise the source for debt service of "Bonds" (to construct major projects or systems) which might be authorized by the дума. The дума may also raise or lower these rates on the basis of demonstrated need

Rules for Expenditures by the District: The justification for all expenditures shall be toward the fulfillment of the currently-approved "Infrastructure Plan," the adequate maintenance of infrastructure facilities, or other costs as defined in Section II. All expenditures to be authorized in public meetings; all awards over Rbl 6,000 to be made pursuant to public bidding rules.

Terminating the District: To be done by the RF, the oblast, or the city

3. Outline of Publication Describing Contents of "Special Investment Area" Report

The following outline was distributed to the City Land Committee and the Investment Committee

**NOVGOROD REGIONAL INVESTMENT INITIATIVE
LAND REFORM SECTOR IN NOVGOROD CITY
PRIORITY SUB-TASK 3/a: PUBLIC INFRASTRUCTURE* STRATEGIES
"SPECIAL DISTRICT CONCEPT"**

Description of the reasons for establishing the area

Identify the Area. Locate the area within a boundary line as drawn on a map of the city. The boundary line may follow the "center lines" of major streets, it might follow the shores of rivers and streams, it might be identical with the boundaries of the municipal government itself. The reason for showing the boundary line is to establish the basis of data which should be collected and maintained after establishing the special area.

Data about the Area.

A. Total land area

B. Area in use: industrial, industrial "obsolete"; industrial "vacant"; residential "individual" residential "multi-family"; utilities and railroads; other *uses*

C. Total no. of enterprises; no. of employees working in these enterprises; total no. of dwelling units; no. of residents in these dwelling units

Maps, as follows:

showing streets, boundary lines of special district, railroads;

showing "existing conditions" e.g. land uses, environmental conditions, existing "objects," and property lines, if known;

existing infrastructure: Improved streets (including curb/gutter, lights, and street names), Water lines, sewer lines, stormwater drainage systems, power lines, gas lines (including pressure and diameter), heating lines, and Proposed new projects for each infrastructure system.

IV. Economic and Land Use Analysis of area:

Characteristics of Area in use: Employees or residents/hectare; No. of vehicles; Property Value as reported; Property Tax Revenues; Other Tax Revenues;

Same information for Area "not in use"

Same information for Areas used by utilities and railroad; streets & row's

Location of "new" (e.g., less than three years old) buildings and factories; area in m2 of new buildings and factories; cost (if available); also location of new (e.g., less than three years old) firms or enterprises; no. of employees; income (if available)

"Infrastructure Plan": Contents of Plan:

existing infrastructure: Improved streets (including curb/gutter, lights, and street names), Water lines, sewer lines, stormwater drainage systems, power lines, gas lines (including pressure and diameter), heating lines, and Proposed new projects for each infrastructure system.

Proposed new facilities to be constructed—Show on a Map the Location, size, type, and costs of new facility projects;

List the sources of money to pay for new construction which is proposed.

List the problems which must be corrected by constructing new infrastructure projects

List the "standards" which are intended to be achieved by new infrastructure construction. Example: "water quality to contain no more than xxx000 parts per million of xxxx contaminant"; "water pressure to be at least xxx/cm2"; etc. etc.

"Economic Development Plan" Contents:

Activities of Past Year—Number, Size, and Type of Properties Prepared for Privatization; Number of Properties Sold; Number, Size, and Type of Investment Projects constructed on Properties; Number and Income of Employees occupied in construction of new Investment Projects; Number and Income of Employees occupied within "Special District," Investment Projects/Number and Income of Employees occupied outside "Special District"; costs of conducting economic development program (staff salaries, publicity/advertising expenditures, site preparation, including building clearance, environmental studies, surveying, legal work)

Analysis of Past Year—*Benefits to city*: Total Value of new Investment Projects measured by construction cost; Total Number and Salaries of employees working in new Investment Projects; Total Revenues yielded by land sales PLUS Estimated total increase in land value of all non-sale parcels (vacant and improved) during the year; Total Expenditures by new Investment Projects for Infrastructure construction. *Costs to city*: Total expenditures for conducting the economic development program; Total city administration and non-city expenditures for Infrastructure Plan preparation, facility maintenance, and new construction.

Analysis of Past Year—*Benefit/Cost Ratio*. Develop a "ratio" by dividing "benefits" by "costs." This "ratio" should serve to measure the effectiveness of the program; the higher the ratio, the better the results for the city.

Proposed Program for Next Year—Number, Size, and Type of Properties Prepared for Privatization; Number of Properties Sold; Number, Size, and Type of Investment Projects constructed on Properties; Number and Income of Employees occupied in construction of new Investment Projects; Number and Income of Employees occupied within "Special District," Investment Projects/Number and Income of Employees occupied outside "Special District"; costs of conducting economic development program (staff salaries, publicity/advertising

expenditures, site preparation, including building clearance, environmental studies, surveying, legal work)

B. "Pro-active land privatization" Marketing Options

Following is a memorandum which was prepared by the Chief of Party

NOVGOROD PARTNERSHIP FOR FREEDOM LAND REFORM AND REAL ESTATE SECTOR

20 July, 1998

To:	Dep. Mayor V. P. Antifeev Land Committee Chairman N. K. Lepeshkin Chairman, Industrial Policy & Foreign Economic Relations M.S. Godgildiev
Subject:	Pro-Active Marketing Strategies

Despite the failure of its June land auction, the city of Velikii Novgorod remains committed to an active program of converting land from public ownership to private ownership. The following paper identifies two options to implement the city's goal. The first option is based on a continuation of marketing properties for industrial development through the process of "direct negotiations" with investors who have declared their intention to construct basic economic investments (e.g., industrial factories and tourism centers) in Novgorod. This option is suitable for the marketing of "major" land sites. The second option—selling land through the auction mechanism—is suggested as a supplementary method for local transfer of land into private control.

Option 1: Economic Development Strategy

"Pro-active land marketing" will be more successful if it considers the characteristics of land and real estate within the city's jurisdiction. The following activities are useful in preparing a useful "databank" about economic conditions. It should be understood that many of these activities are identical to those activities which are necessary to identify and plan the creation of "special districts" for economic development. Steps I, II, and III should be undertaken when the city seeks to identify important properties which it believes are suitable for investment into job-creating industrial or tourist enterprises.

Collect data about potential industrial properties and sites for development of tourism. It is recommended that this work begin first within any "special districts" which have been recognized by the city. The data collection should include materials on:

The total land area: Area "in use": industrial, industrial "obsolete"; industrial "vacant"; residential "individual" residential "multi-family"; utilities and railroads; others

Total no. of enterprises; no. of employees working in these enterprises;

Total no. of dwelling units; no. of residents in these dwelling units

Assign responsibility for collecting data and checking the accuracy in the field

II. Analyze the area. Measure the characteristics of Area "in use", such as:

Employees or residents/hectare;

No. of vehicles;

Property Value as reported; Property Tax Revenues; Other Tax Revenues;

Same information for Area "not in use"

After the program has been conducted for one or two years, the database should be made larger to include: information for Areas used by utilities and railroad; streets & row's; Location of new (e.g., less than three years old) buildings and factories; area in m2 of new buildings and factories; cost (if available); Location of new (e.g., less than three years old) firms or enterprises; no. of employees; income (if available)

Identify "Key Economic Development Properties." Select the largest, most accessible, most visible, land areas within the area which has been analyzed in Steps I and II (preferably the area has been designated as a "special district").

"Site Selection" of these properties should include:

Establishing boundary lines to create large parcels, and parcels which benefit from good access to streets and infrastructure systems;

Selecting parcels with good locations, such as being visible from streets, being located on well-travelled intersections, and being easy to develop with new buildings

Selecting parcels which are free from high regulations such as historic, cultural, and environmentally-sensitive areas.

Summarize the locations and areas of these sites on a map. For example, the map which was suggested for the "special district" as follows: A Map which updates information on land sites for "privatization" and those which are proposed for new demolition or redevelopment work. This Map also shows "existing conditions" e.g., land uses, environmental conditions, existing "objects," and property lines, if known;

Conduct a program of "Pro-active Economic Development Marketing" each year, focussing on those properties which have been identified as "key." As potential investors visit the city each year, use the databank, including the maps described in Step III, as a marketing resource to begin direct negotiations with investors. Economic Development Marketing will be more successful if it is coordinated with other programs which exist to publicize Velikii Novgorod (and Novogorod Oblast) to Russian and international investors. Therefore, close work should be

maintained in the publicity work of such organizations as the Chamber-of-Commerce, the Novgorod Investment Promotion Agency, and the Economic Committee of the Oblast.

The city's economic development marketing program will be aided by improved information materials. Many of the materials which are used to assist in auctioning land parcels may also be useful in conducting economic development marketing efforts. For instance, "Technical Passports" should be prepared for each "key property." In addition, "Information Packet" materials can be re-packaged as "economic development materials for use in marketing the larger, more strategically-located properties which will be sold through "pro-active economic development marketing."

Each year, the program should assess its progress in "pro-active marketing" for economic development purposes. If there are a number of properties which have failed to incite interest by investors, the city might include these in a package for offering as part of a "land auction" strategy. The preparations for this strategy are discussed in the next section.

Option 2: Organizing a Land Auction

The City of Novgorod is committed to disposing of property through competitions. It has organized auction competitions to sell residential dwelling construction sites and commercial "pavillions" It has also sought to sell sites for industrial development; unfortunately, this latest experiment did not succeed. Despite this failure, land auctions have proven to be the most useful technique for selling real estate throughout the developed world. Properly planned and organized, land auctions should be conducted by the city of Novgorod for the following development purposes:

- To make available sites on which residential units can be constructed for private purchase
- To make available sites on which retail and office commercial uses can be constructed and operated
- To make available sites on which secondary "smaller" economic development uses (not to be confused with the "key" economic sites described in Option 1) can be constructed

The following materials outline the elements of a successful future auction organization. This package of materials is based on information and discussions from several sources who were contacted during the preparations for the June event. Future auctions by Novgorod should be based on assembling personnel, money, and materials. The following five subject areas outline the elements of a successful auction planning program.

Advertising and Publicity Strategy

Media Sources

Information & Website Contents, including Schedule of Events-1998

Marketing Organization
Contact List (separately provided) NOT INCLUDED IN FINAL REPORT APPENDIX

A. Advertising and Publicity Strategy

A "Two-Phase" Strategy should be used to publicize land marketing

PHASE I—Publicize Marketing Event

Maximize "free" media, and provide information on:

- Types of properties

- Date of Auction

- Names, telephone numbers of contact persons to provide more information

Get information out through:

- Web-sites: USDOC "BISNIS," Chamber-of-Commerce, City of Novgorod, Regional Investment Initiative

- TV news arrangements through administrative heads (Mayors, Deputies, Duma members, etc.)

- C-of-C Magazine

Dates: Publicity should be conducted for approximately six-to- twelve weeks, until immediately before auction event

PHASE II—Publicize Properties through Advertising

Use "free" and "paid" media to provide information on:

Points 1, 2, 3 as above

- Place & Time of Auction

- Property and site information

- Information Packet and Pre-Registration details; deposits, bidder information required

Get information out through:

- Continued "free" media efforts, plus media as outlined on following page

Dates: Begin 4-6 weeks before auction event, continue until final three days before event

B. Media Sources

(from "PRO-ACTIVE MARKETING—1998," the city's land auction campaign)

"Free" Sources to Publicize Marketing Event (To be used during Phase I and Phase II)

a.. Foreign Trade Resources

Organization (Country)	Medium	Address (Price?)	Contact Person Tel., Fax., E-mail
Japanese Embassy Information Section			(095)926-5585
Latvia Embassy Trade Section			(095)924-8886
Thailand Embassy Commercial Representative			(095)961-2066,67 Fax: 961-2090
Italy—Comm. Section (ask for Chamber of Commerce)			(095) 961-0275
Austria—Economic Off.			(095) 201-7334
Canada—Comm. Section			(095)956-6666
Germany—Comm. Section			????????????
U. S. Dept. of Commerce "BISNIS"	Website	Free	Alexandr Kanskiy (812) 329-6209
Other organizations to be identified with additional experience			

b. Other Organizations and Resources

Organization	Medium	Address	Contact Person Tel., Fax, E-mail
Chamber of Commerce— Novgorod			

Chamber of Commerce— “American”	Website: www.amcham.ru		Sviatoslave Bytchkov (812) 329-6210 or 6207 Fax: 325-6545
Regional Investment Initiative	Website	Free	(81622)78-051
Novgorod Velikii	Website		V. Kopyl (81622) 77-219 Fax: 78-342
Other organizations to be identified with additional experience			

c Radio (sources for interviews and programs)

Name	Phone/Fax	Address	Comments
Europa plus**	662 211 Kiril Tumanov		
Radio-nova	34 749		Also contact for “Russian Radio” and “Regional Radio”

d Newspapers and Magazines

Name	Phone/Fax	Medium	Address	Comments
Novgorod	77 450			City only, weekly
Novgorodskie vedomosti**	78 284			Regional, daily
“What? Where? When?”	34 749			Regional, weekly
Trade side**		Chamber of Comm.		Deadline – 10 th of each month

2. "Paid" Sources to Publicize Marketing Event (To be used during Phase II)

a. Foreign Newspapers and Magazines

Name	Phone/Fax	Medium	Price	Comments
Wall Street Journal				Has occasional feature articles
Financial Times				London-based
"Estates News"			Negotiable	Excellent for real estate

b. TV

Name	Phone/Fax	Type of Advert. (Duration/Time)	Price	Comments
Slavia	34-749	Announcement		5% tax added
Slavia	34 749	Announcement	Announcer's live announcement – 200 r Announcer's recorded announcement – 400 r Advertising in video blocks from 240 to 430 r *	Same
"	"	Video plot production	Video adv. Reel 30 sec. – 2350 r. PLUS either: <u>Simple</u> video plot (up to 1min.) – 750 r. OR <u>Complicated</u> (up to 3 min) – 1450 r	"
"	"	"Express" Tuesday: 16:55, 22:20 Thursday: 9:05, 22:00	Ordinary – 30 r. For full screen Friday & Saturday) – 36 r.	Screen is 10 lines, 24 symbols per line
"	"	In TV program "Business-News" **	To make the adv. Plot – 2000 r.	Use of channel separate charge
"	"	In TV program "Nail" ("Gvozd") 20 sec. Up to one minute	North-Western region – 100\$ - up to 1 min. S.Petersburg – 150\$ - 20 seconds	In 80 cities of UIS – 250\$ - up to 30 sec

* Price depends on the time of the day when the advertising is broadcasting.

** Recommended for advertising

d. Radio

Name	Phone/ Fax	Type of Advert. (Duration/type/?)	Price	Comment
Europa plus**	662 211 Tumanov	Announcement	1 unit - 30 sec. – 8,5\$; min 10 units	Kiril Tumanov is contact
Radio-nova	34 749	announcement	30 sec – 42r.;54r.;60r.;36 r *	
Russian Radio	34 749	For using the channel	30 sec. - 36r.;42r.;54r.*	
" "		For making the adv.	Up to 1 min. – 350 r.	
Regional Radio	34 749	For using the channel	30 sec. – 72 –252 r.; 60 sec. – 150 - 504 r	
" "	"	For making the adv.	Up to 1 min – 250 r.	

e. Local Newspapers and Magazines

Name	Phone/ Fax	Price	Comments
Novgorod	77 450	1 page – 6000 r.; Min – 3,5 lines – 95 r. ½ page – 3000 r.; on the 1 st p. – price x 5	City only, weekly
Novgorodskie vedomosti**	78 284	On the 3d and 4 th pages – 5,25r/1sm2 On the 2 nd p. – 6,30r/1sm2 On the 1 st p. and in Sat. edition – 9,45r/1sm2	Regional, daily See price list All prices include the adv. Tax
"What? Where? When?"	34 749	1 page – 1080 r. ½ page – 960 r.; Min 1/32 – 144 r.	Regional, weekly
Trade side**	Chamber of Commerce	1 page – 3000 r.; ½ - 1648r.; ¼ - 824 r 2 central pages – 3300-20% discount	Deadline – March, 10

* The price depends on time of the day when the advertising is broadcasting

** Recommended for advertising

3. Recommendations for a representative "Paid" Media Publicity Campaign

a. TV:

Slavia Channel. "Business News" : Prepare advertisement, run ad 20 times during the week @ 1800 on regional channel and @ 2220 on city channel.
Total estimate: \$1,750 (R10,500)

Nevskiy Channel: "Gvozd": Prepare advertisement, run ad 6 times during weekdays at unstated times on "Nevskiy" channel and city channel.
Total estimate: \$945 (R5,400)

b. Radio:

"Europa Plus": Prepare advertisement, run ad 100 times during weekdays at unstated times

Total estimate: \$715 (R4,290)

"Regional Radio": Prepare advertisement, run ad 4 times/day for 30 days from 1000 to 1800 each day

Total estimate: \$1,090 (6,550)

c. Newspapers: "Novgorodskie Vedomostie" Run 10cm2 ad 10 times on the third or fourth page

Total estimate: \$744 (R4,465)

d. Magazines:

"Trade Side": ½ page ad in one month issue.

Total estimate: \$275 (R1648)

National" and Foreign Newspapers and Magazines

Wall Street Journal, Moscow Times, S. Peterburg Times, "Estates News:

Grand total estimate: \$6,150 (R36,900), plus "National and Foreign" sources

C. Information and Website Contents

1. "CORE" Information

The "Core" of information should include the following examples of content on the web page:

ANNOUNCING THE FIRST...

LAND AUCTION sponsored by Novgorod City and Other cities within Novgorod Region

To Learn About the Properties Being Offered, Click (?)

To Learn About the Places and Schedule of Events before the Auction, Click (?)

For Information about the Rules of the Sale, Click (?)

The "Core" web page and Information Packet should include the following examples of content:

Contact Persons

Novgorod City—_____ Sites

Coordinator Contact Name:

Telephone and fax #:

E-Mail:

Alternate Coordinator Name and same information as for "Coordinator"

If a coordinated land sales event is sponsored with raions in the oblast...

Borovichi—_____ Sites

Coordinator Contact

Name:

Telephone # and Fax I:

E-Mail:

A separate listing should be completed for each participating city

2. Parcel Summary Information

The "Parcel Summary information" should include the following examples of content on the web page and in "information flyers" which are distributed:

Novgorod City Coordinator Contact Name:

Parcel #	Type of Land Use	Street Address	Size and Comments

Borovichi, etc. Coordinator Contact Name and Tel. #:

Parcel #	Type of Land Use	Street Address	Size and Comments

A separate table should be included for each participating city.

3. Schedule of Events in Land Marketing

*This should be included in website and Information Packet
(example dates only)*

DATE	EVENT	PLACE AND TIME
14 April	First day to get Information Packet	
12 May	Site Orientation—Malaia Vishera	
13 May	"Pre-Auction Information Meeting Site Orientation—Novgorod City	
14 May	Site Orientation—Valdai	
26 May	Site Orientation—Malaia Vishera	
27 May	Site Orientation—Novgorod City Site Orientation—Staraya Russa	
28 May ?????	Site Orientation—Borovichi Site Orientation—Valdai	
29 May	Last day to get Information Packet Last day to register for auction	
6 June	Auction	
7 July	Last day to sign contracts	

4. "Information Packets" and "Technical Passports"

Following are excerpts from Memorandum from Chief-of-Party Miller to City Land Auction Organizers of Land Committee. This memorandum was prepared prior to publication of the auction materials. See also Appendix IV, Part C.

NOVGOROD PARTNERSHIP FOR FREEDOM LAND REFORM AND REAL ESTATE SECTOR MEMORANDUM

Date:	16 May
Subject:	Recommendations for "Information Packets" & "Technical Passports":

Analysis of Publicity and Advertising, distributed to City Administration May, 1998

Information Packet

Note One. A "checklist" for the Information Packet contents was prepared. It included the following:

- General Information on Novgorod City
- Description of Novgorod City land use and zoning regulations
- Description of city's proposed "Special District for Economic Development"*
- Application and Registration Procedure and forms (?)
- Description of Public Sales Procedure
- Address and contact numbers for the "Organizer"
- Schedule of Events on the Sale*
- Texts of Contract Terms
- Other Provisions (?)
- Procedure of Calculations

At this writing (16 May) only part of the City's Information Packet has been provided to the RII advisors. None of the (*) materials has been included in the materials which this office has reviewed; the status of the items with (?) is unknown.

Note Two Some of the data in the current 1998 Information Packets is inaccurate, and some of it is unclear. These defects should be corrected before the Packets are distributed for the June land auction:

The location map showing the sites to be sold contains 8 “stars,” one for each site; since only 7 sites are being sold, this map is misleading.

The locations of the sites do not correspond to the stars which are contained on the location map.

The list of sale properties includes street addresses which are either incomplete, inaccurate, or both. It is not possible to locate the sale sites on the basis of the information contained in the property site table.

The Information Packets should include the information items which are indicated with the symbol (*) in the above checklist. This kind of information is important and helpful for potential investors to assess Novgorod's site offerings

The city should prepare the Information Packets in at least two languages—Russian and English.

Note Three. The Information Packet can be a valuable tool in marketing the city's real estate. It need not be prepared or used exclusively for purposes of future public land sales. Information Packets should be kept on hand by the city administration as “general guides” to be provided to interested investors—regardless of whether these investors are interested in participating in open land sales. These Packets can be a part of a “bank” of materials to be maintained by the city's economic development and land committees for distribution to interested investors who visit Novgorod for the purpose of purchasing real estate from the city.

“Technical Passports”

As of May 16th none of the Technical Passports has been provided to this office for review. These items are very important, and their late preparation is not helpful for a successful information campaign.

Advertising and Publicity

Note One. Well-organized Press Conferences, such as the one held on May 13th, are very helpful to a successful publicity campaign. The first press conference was targeted at a “general news” audience. A second press conference should be held to target the “business sector” as its audience. The reporters who are invited to this press conference might include representatives of the Chamber of Commerce, the international journal on property “Estates News,” and regional business reporters. This conference might be held concurrently with the June 4th “Pre-auction Information Meeting.”

Note Two. Mailout campaigns. Lists of potential investors and firms have been collected and are maintained by the city's auction organizer, the Land Committee.

These lists should be updated periodically by the Land Committee and/or the Investment Committee.

The mailout campaign literature should include a listing of the “Schedule of Events.”

Inquiries by interested companies may include questions by people who speak English; the auction organizers should have quick access

to city staff who are fluent in English in order to answer questions.

Note Three. Schedule of "Events. (See above note about including the "schedule of events" in mailout literature.

Format of Public Sale.

The city has determined that this first land sale will have the "open bidding tender competition" format which has been authorized by RF Regulation No. 2. This format is well-suited to competitions which may require some level of analysis of bids, such as in construction projects. However, in the case of land auctions which are conducted in places where the market is undeveloped, as in Novgorod, an "open" competition with "live" bidding has been shown to be superior. The reason for this is that "market prices" are not well-established in this environment; the competing parties will hesitate to offer substantial bids when they don't know the nature of the competition. However, a "live" auction allows the competitors to see that there is somebody else actually interested in a piece of property. Once this happens, "auction mentality" will begin to work to create a sense of competition among the bidders, and this mentality works to produce higher bids.

5. Rules of Sale Information:

The "Rules of Sale" web page and Information Packet should include at least the following:

Nature of Rights being Sold, such as...

"Successful bidders will purchase the right to lease—at pre-announced rental rates—parcels of land for terms of 49 years. With _____exceptions, these rights to lease will be sold by the respective municipal governments

With _____exceptions, all properties will be cleared of improvements.

All purchase contracts will contain a provision that the successful lessee will have the option to buy the underlying land, at such time as Russian Federation law and regulations allow. All "objects" (improvements) which are constructed on the leased land will be the property of the lessee, and may be sold or other wise disposed of by the lessee."

Nature of Auction Event, such as...

"The Auction will be "open," that is, subject to the "Public sales procedure" of the Resolution of the RF Government No. 2 as of January 5, 1998."

D. Marketing Organization

The most important issue about marketing "organization" is that there be officials or contractors who are hired specifically to:

- Determine the date, place, time, and format of the sales event
- Serve as contact points for interested investors who wish to visit the city to look at the properties being offered
- Distribute, or provide knowledge about, any registration requirements that prospective bidders must complete
- Coordinate advertising campaign, including the preparation of a recommended budget;
- Maintain a list of contact persons of city or oblast departments which might provide information
- Maintain a list of contact persons at the utility monopolies who can provide detailed information about utility services and requirements
- Maintain a mailing list of prospective investors and distribute information sheets to members of this list.
- Assure that Information Packets and Technical Passports are printed and distributed to interested parties

Successful marketing events will be aided if responsibility for these activities is assigned to one office or individual, and that no others duplicate any responsibility.

C. Novgorod Velikii city land auction preparation process

Work Plan

Appendix V Program "Regional Investment Initiative: Land Reform Sector" implementation

Objective: Improve and establish the legal base for conducting the tenders in order to stimulate the economic development.

Tasks: 1. Create the legal and regulatory laws for holding the tenders.

2. Work out the procedures for tenders.
3. Work out the methods of having relations between administrative structures and those structures which are interested in preparation for the tenders.
4. Form the tender package. (What documents should be included there)
5. Market the selected sites.

1	Task to be solved	Arrangements	Responsible Structure	Terms
1	2	3	4	5
1.	Creation of laws and regulation	1.Prepare the draft "Provision of holding the investment tenders and auctions in Novgorod city" 2. Examination of the provision draft. 3.Alteration according to structures' comments which are connected with the topic. 4. Approval of the draft.	Land Committee Agency of economic development and investment policy. Legal Department City Administration Architecture and Town-planning Committee	February 16,1998 February 24,1998 March 2, 1998 March 2, 1998
2.	Select sites.	1.Thrash over no less than 10 proposals. 2. Investigation of these sites on the technical committee (committee of giving the technical terms) 3. Final selection no less than 5 sites. 4. Evaluate suitability of HBU for each site. 5. Development of "disposition plan" and general conditions for holding tenders.	Land Committee Architecture and Town-planning Committee Land Committee Technical committee Working Group Agency of economic development and investment policy. " " " " " " " "	January 5, 1998 January 28, 1998 February 2,1998 February 9,1998 February 9,1998
3.	Form information package	1. Development of information data (description and mapping of the sites) 2. Development of the terms for each site 3. Development of the "land passport"	Land Committee Land Committee Work Group	February 9, 1998 February 9,1998 February 16,1998

		4. Composition of architectural pre-planned construction. 5. Determine the "starting prices" 6. Development of the forms for contract of site's purchase and sale. 7. Development of the efficient form for questionnaire. 8. Development of the efficient form of application for taking part in tender. 9. Examining of the tender package. Discussion. 10. Alternation according to the comments. 11. Approve of the tender documents 12. Sending the advertising prospectus to physical and legal entities. 13. Advertising through mass media (TV, broadcasting) 14. Advertising through Internet	Work Group Architecture and Town-planning Committee Working group Legal Department Land Committee Land Committee Legal Department Land Committee Work Group Work Group Work Group	February 16,1998 February 18,1998 February 16,1998 February 24,1998 February 24,1998 February 27, 1998 March 6,1998 March 10,1998
4.	"Pre-qualification" of bidders	1. Advertise for "Pre-qualified" bidders. 2. Select the potential Participants in auction or tender. The criteria of participants' selection.	Agency of economic development and investment policy. Work Group	March-may March 18,1998 February 18, 1998
5.	Hold the investment tenders <i>OR auctions</i>	1. Prepare the information announcement about the tenders. 2. Tenders 3. Analyze of the tender and make the recommendations for future ones.	Land Committee Committee of control Work Group	June 8, 1998 August 12, 1998 August 19,1998
6.		Select buyers (if tender) and negotiate the final terms		
7.		Sign ("execute") contract		
8.		Assist in permit approvals/monitor project		

D. City Land Auction Materials Checklist

**CHECKLIST FOR INFORMATION PACKET
CITY OF NOVGOROD LAND AUCTION—JUNE, 1998**

From Resolution No. 2 of January 5, 1998: "The Organizer shall provide all the private individuals and legal entities, willing to take part in the public sales, with packages of documents and materials on land plots offered for the public sales, for the sum established by him and the Owner, required to make copies of the documents and the materials."

ITEM REQUIRED	OFFICE RESPONSIBLE
GENERAL INFORMATION ON NOVGOROD CITY	
NOVGOROD CITY LAND USE & ZONING REGULATIONS	
NOVGOROD CITY PROPOSED "SPECIAL DISTRICT FOR ECONOMIC DEVELOPMENT"	
APPLICATION/REGISTRATION PROCEDURE Location and name of city office which is to receive the applications of the claimants and register them in the Received Applications Register, giving each application a number and making notices on the time of documents submission (date, month, time in hours and minutes); Define the term of paying of deposit by the claimant Terms of applications and other documents receipt; Notification on the form of the application for participation in the public sales, the address of the applications reception, date, time of beginning and finishing of applications and documents reception from the persons willing to take part in the public sales and receiving of the package of documents on the subject of the public sales and on the conditions of the competition	
Statement of authenticity of the published information and compliance of the information reports contents with the legislation	
PUBLIC SALES PROCEDURE : Date, time, place and the procedure of holding public sale Form of the public sales (competition or auction) List of the documents required for participation in the public sales Sum of deposit, terms and the procedure of paying it and repayment of it to the participants of the	

public sales, settlement accounts for transfer of deposit and payments for acquired land plots and the right of their lease Conditions of the competition and the criteria of choosing of the winner Conditions of providing payments in case of acquisition of a land plot or the right of lease of it for payment by installments (condition on the pledge) The form of submitting of an offer on the price; The increase in bid amount in case of holding public sales in Form of auction, which is open in terms of offering of the price	
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ITEM REQUIRED	OFFICE RESPONSIBLE
Procedure of defining of the winner of the auction	
Method notifying on the results of the public sales;	
Address and the phone number of the Organizer	
Date, time and the procedure of "Site Orientations" or other examination of the land plot at the site	
Text of terms of conclusion of the Sale-Purchase Agreement or the Lease Agreement on the land plot	
Other provisions, containing requirements to the claimants, provided by the legislation	
THE PROCEDURE OF CALCULATIONS	

Web-site Addresses and Contact Names

Novgorod City Contact Person: Vassilii Mikhailovich Syitin, Deputy Head of Land Committee. Tel.: 8162-2(30-978); Fax 8162-(132-599)
Novgorod Oblast Contact Person: Alexander P. Soin, Chairman of the Property Fund. Tel.: 8162-(132-869); Fax 8162-2(73-474); e-mail: ROOT@FINO.NOV.SU
 Websites: //KET.TELECOM.NOV.RU/IREX/ENG/INDEX
www.nov.ru
www.adm.nov.ru
www.itaiep.doc.gov/bisnis/bisnis/html

CHECKLIST FOR TECHNICAL PASSPORT

CITY OF NOVGOROD LAND AUCTION—JUNE, 1998

ITEM REQUIRED	OFFICE RESPONSIBLE
Registration number of the public sales subject location (address), cadaster number of the land plot	
Conclusion of a relevant Committee on land resources and land development on the characteristics, legal regime of the land plot, including the land tax rate, the plan of the land plot with established boundaries and the area, with notification on the servitudes and other encumbrances established for this land plot	
Conclusion of a relevant body on town planning and architecture, including the data on the functional purpose and use permitted for the land plot, situation plan, relevant permissions to connect to engineering communications and approximate total cost of connection or the way it is calculated, requirements to the development and participation in the development of infrastructure of the city or other settlement	
Starting cost of the public sales subject	
Text of terms of conclusion of the Sale-Purchase Agreement or the Lease Agreement on the land plot, including the schedule of payments if necessary	
Draft agreement of land plot pledge (for the cases provided by Item 22 of the present Procedures)	
Data on ecological condition of the land plot	
Engineering-geological characteristics	

E. Recommendations on auction preparations by City

The following was distributed to the City of Velikii Novgorod in June, following the unsuccessful land auction

NOVGOROD REGIONAL INVESTMENT INITIATIVE LAND REFORM AND REAL ESTATE SECTOR

To: Dep. Mayor V. P. Antufeev
Land Committee Chairman N. K. Lepeshkin
Information Committee Chairman V. P. Kopyl
Press Secretary O. O. Kalesnikova

cc: Chm., Industrial Policy/Foreign Economic Rel. M. S. Godgildiev
Chief Architect M. F. Korzhev
Duma Member I. I. Kibina
Legal Committee Chair S. S. Pchelina
PADCO

From: M. Richard Miller, Chief of Party, Land Reform Sector

Subject: Analysis of Auction Preparations for 1998 "Pro-Active Land
Marketing" Program by Novgorod Velikii

Despite much hard work by many departments of the city administration, the city's "land auction" which was scheduled for June 20th was not held. This failure was the result of non-response from the potential investment community; no bidders registered for the auction.

Fortunately, the city has announced its intention to continue the practice of marketing its property through the open market device of land auctions. Every effort should be made to make these events successful. The following analysis is offered to help assure success in future attempts to undertake a "pro-active land privatization" program in Novgorod Velikii.

A. Process for Decision-Making: The process adopted by the city administration of Novgorod was adequate as a "road map" for identifying sequential actions which should be taken by the administration. Nearly all the necessary steps for proper authorization and administration were identified, although minor additions could be made for such items as property identification (setting boundaries). The steps were logical, responsibility for carrying out each function was assigned to city personnel, and enough time was available (at least in theory) to complete the process.

B. Execution of the Process. **Schedule-Making and Adherence to Schedule:** The city administration's schedule was ambitious, but probably realistic. However, Property preparation work was not aggressively pursued, especially in the "middle" weeks of auction preparations. Especially critical to "slippage" in the schedule were:

- **not completing selection of property sites to be included in the auction;**
- **not completing negotiations with "excess property " occupant-enterprises. These discussions did not proceed quickly enough to resolve the question of whether several such properties would be included in the offering package;**

These two factors contributed to three other problems:

- **late completion of information packets;**
- **late completion of technical passports;**
- **inadequate arrangements for "paid" advertising ("paid" advertisements were not activated until 10 days before auction event)**

C. Organization:

- 1. Publicity and Advertising suffered from the lack of a budget.** Without money to purchase advertisements in media which is available to foreign investors, these investors will not get any message about property availability.
- 2. "Website" texts were not listed as expected** (U. S. Dept. of Commerce web-site "BISNIS" was not successfully contacted until 10 days before the auction date);
- 3. Faxing of auction announcement to the firms on the "contact list" was expensive and time-consuming.** If it had been commenced earlier, it could have been by mailout medium instead of fax machines.
- 4. The auction event had serious competition from other marketing activities of the city administration. Due to its priority work in marketing industrial sites to foreign investors, the auction was not the "exclusive" marketing strategy followed by the city administration.** While seven properties were offered for sale through the land auction, at least seven different properties were under negotiation with private investors. This divided strategy had two results: first, the energies of the city staff were split between their need to give attention to the non-auction business contacts with whom negotiations needed to be conducted; second, the number and quality of the auction sale sites themselves was reduced.
- 5. Auction format: Use of the "closed" sealed bid format (e.g., the system where the "winners" are announced after the opening of sealed bids) is useful when "performance" in property development is more important than higher prices.** The closed format can be used to solicit favorable proposals from competing bidders who wish to disclose their favorable conditions in sealed form. Important, highly-visible industrial and tourist sites can benefit from more "creative" bid proposals in this format. **However, when there are a large number of essentially similar properties with a potentially large number of competitive bidders, the "closed" format is less satisfactory than a "live" auction because it produces lower bids.** A "live" auction creates a

greater sense of competition as each bidder sees and experiences the interest of other parties in the property being contested. The ultimate result is higher bids.

- 6. The city administration should consider conducting “joint” sales events with other local jurisdictions in the future.** Money would be saved on publicity and personnel resources would be conserved if the city joined with other municipal governments or the oblast itself to organize future “major” auctions. If this strategy were followed, there should be a single group created from officials of the sponsoring governments to decide on such matters as: auction location and schedule; registration requirements; pre-auction information arrangements; sale format; advertising and publicity budgeting.

D. Recommendations. In summary, the following are suggested as “Recommendations for next marketing event”:

- 1. Consideration should be given by the city to conducting a “common” event with other Oblast jurisdictions.** This is justified in order to maximize the usefulness of scarce budgetary and personnel resources, especially for advertising purposes.
- 2. Earlier effort should be made to negotiate with the enterprises which are currently allocated potential sale properties.** These negotiations should be conducted with time-specific deadlines, so that the number of auction sale sites is determined in a more timely manner.
- 3. More money should be budgeted at an earlier time in the auction process for the purpose of publicizing Novgorod sales events.**
- 4. The next auction should offer the most desirable properties.** If a “moratorium” is not acceptable to the city administration (see recommendation #8 below, then the city should seek to make the auction properties more marketable by either: (1) offering only the most attractive sites for competitive bidding, perhaps selecting the auction properties from among those which have been favorably analyzed by interested investors or which have been highly recommended by professional real estate analysts; or (2) attaching “superior” conditions to the auction sites, such as conveying stronger property title guarantees (selling the “right of ownership”) or granting property tax holidays for the auction properties.
- 5. The no. of offerings should be greater, with more variety in sizes, uses, and locations being subject to competitive sale.** The next auction event should offer more properties than the seven which were offered in June, 1998.
- 6. In the future, if the properties are of very high priority (by virtue of their need to be developed promptly, because of their importance as especially unique industrial or tourist sites, etc.) then the “closed” bid system, or tender process may be considered by the administration.** Otherwise, especially where the property inventory of conventional land sites, the “live” auction format should be considered as a superior alternative to the sealed bid arrangement.

Post-sale arrangements should be in place to accomplish: (1) prompt execution of necessary contract; (2) early familiarity of the successful buyers with the administration officials who will be responsible for monitoring future development on the sites.

Future auctions might be accompanied by a temporary “moratorium” on land negotiations with potential investors. A greater effort should be made to market all properties through the transparent public sales technique in the next event. In order to create favorable

circumstances, the administration might remove properties from "direct" negotiations with investors in favor of putting sites up for sale at events. This might have two results: (1) stimulate faster negotiations for certain sites; or (2) produce higher offers or more favorable terms by competitors.